Let’s Put Demography Back into Economics: Population Pyramids in Excel

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May 11, 2016

Working Paper

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All comments welcome.

Thanks to Frank Howland for early conversations and discussion, especially on Cuba, and Andrew Pinney for help on understanding estimates of Afghanistan’s population.

Abstract

In 1960, George Stigler wrote that, “In 1830, no general work in economics would omit a discussion of population, and in 1930, hardly any general work said anything about population.” Today, the economics curriculum remains largely devoid of demography and this needs to change immediately. After witnessing a population explosion in the last half of the 20th century, fertility rates are crashing throughout the world. We are in the midst of another demographic sea change, slamming on the brakes right after accelerating faster than ever before. This has important consequences for economies everywhere. Instead of glibly tossing a dependency ratio onto a slide, this paper offers an easy way to improve demographic literacy in undergraduate economics students using population pyramids. Hypothetical data are used to explain the pyramid and teach its dynamic properties, then real-world data are used to provide historical context, current demographic snapshots, and a glimpse of the future. Throughout, Microsoft Excel is used and its ability to download data directly from the US Census Bureau’s International Data Base with a single click of a button provides a flexible, powerful tool to explore various countries. Download PopulationPyramid.xlsm from academic.depauw.edu/~hbarreto/working and follow along with the instructions provided in this paper.

JEL Codes: A1, A2, J1
1.0 Introduction

There is no doubt that we are in the midst of a stunning demographic revolution. As longevity continues its upward climb, birth rates all around the world—in rich and poor countries alike—are in free fall. This screeching halt in fertility is all the more impressive since it comes on the heels of the greatest increase in world population in human history. Many people alive today will easily remember the dire warnings about explosive population growth, epitomized by Ehrlich’s 1968 best-seller, *The Population Bomb*, but it is becoming painfully clear that population contraction can be more damaging to an economy than expansion. Thus, it is time, once again, to put demography back into a prominent position in economics.

While the complicated relationship of demography in the history of economic thought is not the primary purpose of this paper, it is worth pointing out that population used to be a key factor in classical economics. Malthus (1798) lived during a rapid and notable increase in the number of people in Britain and *An Essay on the Principle of Population*, with its catastrophic predictions of famine and misery, formed part of the core of political economy. One might think the 1870s Marginal Revolution killed demography, but Marshall’s (1890) *Principles of Economics* (the Mankiw of the day) had a chapter on the growth of population (with tables of data). Eventually, demography would fade to the periphery of economics, and Stigler (1960, p.36) would lament that, “In 1830, no general work in economics would omit a discussion of population, and in 1930, hardly any general work said anything about population.”

Of course, the Solow Model has population growth as an exogenous variable and there are models of labor supply (not to mention an entire *JEL* category, J1, *Labor and Demographic Economics*), but demographic literacy is woefully inadequate in today’s economics students. They do not know basic facts, such as what rate of population growth is fast or slow (1% per year is roughly typical in the last century, while twice that is extremely fast) or the distribution of people on the planet. Not only will they not see repeated demographic applications or examples throughout the economics curriculum, it is likely they will not be exposed to population data outside of a labor economics or development course.

Given the vast and deep nature of demography, along with many worthy competing ideas for scarce class time, what is an economics professor interested in exposing students to population issues to do? This paper provides an answer: *population pyramids*. This clever display (also known as an age-distribution graph or bilateral histogram) was first used by Francis Amasa Walker in 1874. It offers an eye-catching snapshot that reveals historical episodes and points to future outcomes. Less well
known is that it is also amenable to simulation. The population pyramid is relatively simple to understand and can be used both at the introductory level and in more advanced courses.

The next section demonstrates how the population pyramid works using hypothetical data. This is followed by downloading real-world data and reviewing several examples. The last section offers teaching suggestions and strategies. A macro-enabled Microsoft Excel workbook is used to deliver all content.

2.0 Simulating the Population Pyramid

Download PopulationPyramid.xlsm from academic.depauw.edu/~hbarreto/working and open the file with Excel (Windows version 2007 or greater), making sure to enable macros. The workbook is designed to explain itself so not every button and cell will be meticulously described. A rudimentary set of ideas and demonstrations are presented below, with emphasis on how to present the material in a lecture.

Instead of showing the student a fully-formed pyramid, the Fake sheet begins with an odd scenario: we assume an existing, initial set of 20,000 adults at each age cohort from 15 to 44, and it is plain to see that they will produce 15,000 boys and 15,000 girls, given the age-specific fertility rates (ASFR) in column C. These 30,000 newborns form the lowest bar on the population pyramid to the right in Figure 1, and the first row of data under the chart. The chart does not have the resolution to show that some of the adults died, according to the age-specific death rate (ASDR) for each cohort, but by scrolling down and looking at the data, it is immediately obvious.

![Figure 1: The Initial Position. Source: Fake sheet in PopulationPyramid.xlsm.](image)

Click on cells L16 and M16 to see their formulas. The number of children born is the product of the number of women of each age times their corresponding ASFR. Each age cohort of 10,000 women
had 1,000 babies (500 males and 500 females) because the ASFR is (a ridiculously high) 0.1 for women aged 15 to 44. Click on cell L32 to see that the number of 16-year old males in the second year is the product of the proportion of 15-year old males surviving to the second year \((1 – ASDR)\) times the number of 15-year old males. A spreadsheet is especially useful for understanding the data generation process because the formulas are visible. In the Formulas tab, click Trace Precedents to see how cells C31 and F31 are involved in cell M32. To clear the screen, click Remove Arrows.

Proceed by clicking the  button. A new set of columns and chart for the next year is displayed. Notice that a new set of births has been generated that is slightly smaller than before because a few of the women of reproductive age died. Notice also that some of the children aged zero did not survive to the next year. Finally, notice that the block of adults is literally moving up the chart (and down the data table) as time goes by. This is a crucial property of the population pyramid.

Click the  button and enter 20 years. Scroll right to see the evolution of the pyramid. The dynamic nature of the pyramid is laid bare. At Year 15, fewer children are being born for two reasons: (1) some women are dying (shown by the tapering at the top of the chart in Figure 2) and (2) they are getting older so fertility is falling. Scroll to the end to see that now the children have grown up and are starting to have children of their own (right-hand graph in Figure 2).

![Figure 2: Years 15 and 24.](source: Fake sheet in PopulationPyramid.xlsm after using the 2Years button.)

To emphasize the dynamic nature of the pyramid, click the  button. Each chart is moved on top of the first chart in sequential order and at the end all of the charts are returned to their original positions. Since each chart displays for a second, do not animate with hundreds of charts. Stacking the charts provides a strong visual effect that reinforces the iterative mechanism at work.
Does this process have some kind of final resting position or might it undulate forever? That is an excellent question that can be answered via simulation. Click the \( \text{\textsuperscript{Years}} \) button and enter 200 years. Scrolling right reveals how the age distribution moves over time. By Year 50, there is another baby boom as the second generation enters its prime reproductive years. The answer is clear: by the 100\(^{th}\) year, the pyramid seems to be settling down. Unfortunately, the population has grown so that it no longer fits on the chart. Click the \( \text{\textsuperscript{Common X Axis}} \) button to set the \( x \) axes of all of the charts on the sheet to the same scale so they can be compared easily. Now it is quite clear that by the 200\(^{th}\) year, a stable, triangular shape has taken hold (as shown in Figure 3). This result depends critically on the ASFR and ASDR parameter values and the fact that they have not changed.

![Graph showing years 100 and 200 with PopulationPyramid.xlsm source](image)

**Figure 3: Years 100 and 200.**

Source: Fake sheet in *PopulationPyramid.xlsm* after using the \( \text{\textsuperscript{Years}} \) and \( \text{\textsuperscript{Common X Axis}} \) buttons.

To demonstrate the importance of age-specific fertility and death rates, simply change them and watch what happens. In Year 100, for example, suppose ASFRs fell by half. Divide the ASFR values by two (in a nearby column), copy the cells, and paste as numbers not formulas (\( \text{Paste Values} \)). With ASFR values of 0.05 for each age cohort from 15 to 44, click the \( \text{\textsuperscript{Common X Axis}} \) button to standardize the \( x \) axes. The effect of decreased fertility can be immediately seen as the pyramid’s base shrinks. Scroll right to see that the population continues to rise as long as births outnumber deaths, but the narrow base means there are more elderly than younger people (see left graph in Figure 4). This is devastating for the economy. By Year 200 (right graph in Figure 4), the pyramid is still inverted and has yet to settle down to an equilibrium shape.

Will it ever stabilize? Again, simulation offers an effective, simple method to answer this question. Click the \( \text{\textsuperscript{Years}} \) button and run the process for hundreds of years more. Eventually (certainly by Year
500), the answer becomes clear: the ASFR and ASDR parameter values are such that this society will disappear.

![Figure 4: Years 125 and 200 after halving ASFRs.](image)

Source: *Fake* sheet in *PopulationPyramid.xlsx* after using the ![? Years](image) and ![Common X-Axis](image) buttons.

Return to the beginning of the sheet and click the ![Reset](image) button to wipe the slate clean. Click the ![Example 2](image) button to put down a new hypothetical scenario. This hypothetical example is composed of the population pyramid of Afghanistan in 2014, with Egyptian ASFRs and American ASDRs. Gouges in the pyramid are usually evidence of a traumatic event, such as war or famine, which often especially affects infants. Pinney (2012) points out, however, the immense difficulties in measuring Afghanistan’s nomadic peoples and the fact that it is likely to be the only country to have never completed a census. With tumultuous movements in refugee returns and exodus, it remains unclear why birth cohorts in 2002 and 2003 were so small.

Turn your attention to the bottom bar of the Year 2 chart. As is clear, if we apply ASFRs from the United States to the women of reproductive age in Afghanistan, we would produce many fewer children than were born in the previous year. What would happen if these ASFR and ASDR values remained constant over time? We can run a simulation to answer this question. Click the ![? Years](image) button and run this process for 200 years. This time we get yet another result: the population would grow without bound. With high (Egyptian) fertility and low (American) death rates, this result is not surprising.

The *Fake* sheet offers an easy, interesting introduction to the population pyramid. The strong visuals and ability to see the evolution of the pyramid provides a strong foundation when we examine real-world data. Working with hypothetical data emphasizes that the shape of the pyramid reveals the
age-distribution in a quick glance. Simulation, however, makes clear that the AFSRs and ASDRs are critical parameters that determine the evolution of the population pyramid, producing ever rising, collapsing, or stable outcomes. Because the charts are live, they update instantly when the underlying data are changed.

3.0 Real-world Population Pyramids

While Francis Amasa Walker would go on to become a prominent economist (he was the first president of the American Economic Association) and president of MIT, he was superintendent of the US census in 1870. As editor of the *Statistical Atlas of the United States*, Walker (1874) published a series of population pyramids that helped establish his reputation as a statistician. Figure 5 shows an example, where the Chinese and Foreign White distributions are especially eye-catching.

Figure 5: Population pyramids from the 1870 US census.


Today, the US Census Bureau continues this tradition of data visualization by maintaining an online International Data Base (IDB) at [www.census.gov/population/international/data/idb](http://www.census.gov/population/international/data/idb). Most users
would download data, then open it in Excel (or other software) for analysis, but this fails to take full-advantage of Excel’s ability to act as a browser and directly access data.

The *PopPyr* sheet in *PopulationPyramid.xlsm* offers a simple interface to download data from the IDB straight into Excel and display the population pyramid. Notice the usage notes in column Q. Click the Select a Country control and choose the United States, and then click the Get IDB Data button to produce a chart like Figure 6. It is a clustered bar chart type, with zero gaps. Male population for each age is plotted as a negative number to provide the side-by-side comparison with female population that is the hallmark of the population pyramid.

**Figure 6**: US Population Pyramid.

Source: *PopPyr* sheet in *PopulationPyramid.xlsm* after selecting United States and clicking the Get IDB Data button.

Figure 6 is a classic shape for a developed, rich country. It does not reflect the usual triangular pyramid that gave the graph its name and is typical of developing, poorer countries with high fertility and death rates producing many more children than adults. Lower ASFRs and ASDRs combine to give the US age-distribution a roughly equal number of people at each age until it finally starts tapering off around age 70. The long bars at the top are the result of grouping into five-year cohorts starting at age 85 (scroll down in the data table to see this).

Click on the chart to get a pop-up message that displays the number of people in the cohort clicked. Click OK and click a different part of the chart to display information about another cohort. This is
convenient for identifying indentations or sudden changes in cohorts. The button is a toggle that displays the age of each cohort on the right-hand side of the chart.

Change the End Year (in cell K4) to 2030 and press enter. Click the button to download US Census Bureau population projections for these years. This may take some time, depending on your computer and connection speed. If downloads are too slow for live demonstration in class, access the data and copy the sheet to create a series of pre-prepared examples. Scroll down to see the age-distribution data for each year in table format.

Return to the chart and click the button. Excel animates the chart and shows a dynamic version of the pyramid. It is clear that the age-distribution of the US population is expected to be fairly stable, although the top bars will grow, reflecting increased longevity (especially for women). Note that the button can be used to display any given year.

In addition to the chart, the data can be used in computations. The sum of all of the age cohorts in a given year is the total population, roughly 324 million people in 2016, produced by entering this formula in an empty cell: = - SUM(C3:C91) + SUM(D3:D91).

The M/F ratio at birth is about 1.05 (via the formula = - C3/D3) and this can be filled down to get M/F ratios for all age cohorts. Men have higher death rates and by their late 30s, women begin to outnumber men. Scroll down to find that there are four times as many women over 100 years old as men in the United States in 2016.

While the greater longevity of women is no surprise, a value greater than one for the M/F ratio at birth will puzzle most students, who expect an equal number of male and female births. They will be interested to hear that, in perhaps the first paper using data for statistical inference, Arbuthnot (1710) said the male-female imbalance showed that God determined sex at birth, not chance. He also managed to somehow conclude that this showed that polygamy is unnatural. Today, we know that males are more likely at birth, around 1.05 to 1, but this is not constant and depends on race, ethnicity, and other factors. The exact mechanisms at work remain unclear.

For some countries, for example, India and China, the M/F birth ratio is quite high (over 1.1) and indicative of sex-selective abortion and female infanticide. Sen (1990), who would go on to win a Nobel Memorial Prize in Economic Sciences in 1998, pointed out that “A great many more than a hundred million women are simply not there because women are neglected compared with men.” Too many male births remains as important today as when Sen first called attention to it.
Another statistic that can be easily computed is the dependency ratio: the number of dependents (ages 0 to 14 and 65 and older) to the number of working-age adults, 15 to 64. The data show about 110 million dependents in the United States in 2016, using this formula: \[ = \text{SUM}(C3:C17) + \text{SUM}(D3:D17) - \text{SUM}(C68:C91) + \text{SUM}(D68:D91). \] The formula \[ = \text{SUM}(C18:C67) + \text{SUM}(D18:D67) \] yields almost 215 million adults aged 15 to 64 so the dependency ratio is a little over 0.5. A slightly different gauge is the old age dependency ratio (OADR), the number of people 65 and older divided by working-age adults. In 2016, this ratio is roughly one-quarter. Support ratios (the reciprocal of dependency ratios) are measures which show the number of working people per dependent.

To see how these dependency ratios compare to other countries, click the button to save the work on the United States and then return to the PopPyr sheet and click the button. Download age-distribution data for Japan from 2016 to 2030. The inverted pyramid shape, shown in Figure 7, predicts continued strong headwinds for the Japanese economy and society. Animating the chart shows that old people will increasingly outnumber young people. The dependency ratio, already a high 0.67 in 2016, is expected to rise to over 0.75 by 2030. The OADR will increase from 0.46 to a staggeringly high 0.57.

![Figure 7: Japan Population Pyramid.](Source: PopPyr sheet in PopulationPyramid.xlsm after selecting Japan and clicking the button.)

It is no secret that the Japanese economy has not responded to standard interventions by policy makers. The ineffectiveness of central bank and fiscal stimuli is surely partly rooted in Japan’s unfavorable demographic environment. The inverted pyramid and its march up as time goes by contains information about critical economic factors. Housing construction, for example, might suffer from low demand, while health care expands. In class, a discussion about the economic
implications of a sharp fall in the number of Japanese children and large increase in elderly people should elicit interesting and perhaps even original contributions.

One consideration that may not be mentioned and offers a segue into other aspects of macroeconomics is the role of expectations. Keynes (1936, Ch 12:VII) highlighted animal spirits, “a spontaneous urge to action rather than inaction,” as a key element in understanding fluctuations in a market economy. Investment, the main driver of the business cycle, depends on subjective estimates of future prospects. Investment, and thus the economy, is volatile precisely because we swing from periods of optimism to pessimism. In good times, a positive outlook and belief in a better tomorrow produces high levels of investment spending. With malaise comes a lack of business and consumer confidence, and like a self-fulfilling prophecy, the economy tanks. For Keynes, the dynamics of market psychology is the critical factor in the market system’s roller coaster ride and his medicine for the Great Depression relied primarily on changing expectations and restoring confidence.

Applying these ideas to Japan is not comforting. A society of old people is not a hopeful, upbeat place (for those who enjoy adding a little spice to their classroom or prefer teaching via film, *Children of Men* is an option, [www.imdb.com/title/tt0206634](http://www.imdb.com/title/tt0206634)). Stimulating aggregate demand through traditional means (reducing interest rates, increasing government spending, and cutting taxes) has not given the Japanese economy the jolt it needs, Keynesian logic would argue, because the demographic headwinds are so strong.

The eagle-eyed reader may notice that the Japanese population pyramid also shows two indentations. One is clearly a consequence of World War II, but the other is for 50 year-olds in 2016. Did something unusual happen in 1966 in Japan? In fact, yes, births fell by several hundred thousand from the previous year. Haberman (1987) explains what happened:

> In 1966, relatively few Japanese wanted to have children because the zodiac signs had cautioned against it. . . . Few years are worse than those known in Japanese as hinoe uma, when fire and horse fall upon each other. According to a widely held belief, women born in the Year of the Fire and Horse are destined upon reaching adulthood to marry and then kill their husbands. The last hinoe uma was 1966. Japanese parents were taking no chances that year, and so the number of births plummeted by nearly 25 percent from 1965.

The Year of Fire and Horse occurs every 60 years and the next hinoe uma is in 2026.

As a final example, return to the *PopPyr* sheet, clear any existing data and download Cuba’s population cohorts. Figure 8 shows a remarkable view of recent Cuban history. The bulge reflects a
baby boom after Fidel Castro took power in 1959. Fertility then declined, slowly at first, then quite quickly.

Click on the deep gouge in the center, show the age axis, or scroll down in the data to see that there are two age-cohorts, 35 and 36 year-olds, with much smaller populations than those before and after them. While this coincides with the 1980 Mariel boatlift, when 125,000 Cubans left the island, they were not especially concentrated in these two age-cohorts so this is an unsatisfactory explanation. A better account for the sharp reduction in population of these cohorts lies in the iterative process of population dynamics.

Look again at Figure 8, but this time focus on how the second, smaller bulge is an echo, a product of the baby boomers (the big bulge above) having children. It is much smaller because the baby boom women had much lower fertility rates than their parents. More recently, Cuban fertility has absolutely cratered, reflected in the narrow base of the pyramid. While other countries in Latin America have also experienced marked declines, Cuba’s drop is spectacular. Spooner and Ullmann (2014, p. 39) cite World Bank data showing “a dramatic drop in birth rates, from an average of 4.18 births per woman in 1960, the year after the Revolution, to 1.46 in 2012.”

No analysis of Cuba’s economy or prospects for future growth should ignore its demography. With a dependency ratio of 0.4 in 2016, the situation seems calm, but the dynamic nature of the pyramid points to difficult times ahead. The leading edge of the baby boom wave, those who are 50 years old in 2016, will be retiring in 15 years and there will be a marked decrease in people replacing them.
“The Cuban birthrate is the lowest in the Americas, and one of the lowest in the world, as women simply choose not to have babies, despite the availability of at least a basic level of prenatal and pediatric care.” (Spooner & Ullmann, 2014, p. 7). Unlike Japan, which can count on savings and an advanced economy, Cuba will face its demographic challenges with low levels of GDP per person in a society transitioning to a market system.

These three examples, the United States, Japan, and Cuba, are the tip of the iceberg. Population pyramids for China and India (especially focusing on M/F ratios) are fascinating. For China, the Cultural Revolution, one-child policy, and other shocks are strikingly evident in the age-distribution graph. India’s classic pyramid with huge numbers of young people is changing fast and will certainly grab your attention.Animating India to 2030 is instructive because the scale—steadily adding over 20 million people each year—really matters. (If IDB downloads prove to be too slow, consider using web-based, animated pyramids, e.g., www.worldlifeexpectancy.com/cuba-population-pyramid.)

Every country has a demographic story. To see the big picture, click the Show Pyramid button. A new sheet is revealed, with population pyramids for every country in the IDB.

Finally, the Lessons sheet offers a list of key ideas to help students organize the material. It also includes a chart of college graduates in the United States in a population pyramid. This shows that a population pyramid can be applied to a variety of situations and data.

4.0 Teaching Tips and Strategies

In its most basic application, population pyramids can be inserted as a one-off lecture in any course. PopulationPyramid.xlsm downloaded from academic.depauw.edu/~hbarreto/working can be projected in class as part of a lecture. Walk through the simulation in the Fake sheet and download real-world data as described in the previous sections. Pyramids and animations for individual countries can be prepared before class and saved in individual sheets (click the Copy Sheet button). Pictures are easily pasted into class handouts or slides (click the Take a Picture button).

Remember that the charts are live so that any change to the data is instantly displayed on the population pyramid. Thus, for example, it is easy to convey the effect of traumatic events such as wars by simply entering new data—halving the population of 20 and 21 year old males will produce a gouge in the pyramid for those cohorts.
A more advanced use, but still encased as a single module or class, involves distributing the file to students (simply email the link or post it in a course management system). In a computer lab or as homework, individual students or groups can be assigned specific countries or allowed to choose a country. Student presentations are an easy way to share knowledge and discussion can generate novel, interesting ideas.

For even more advanced work or as an independent study project, get ASFRs and ASDRs for a country and predict future age-distributions. The results can be compared to US Census Bureau projections. Scenarios for high, medium, and low fertility rates can be produced. Research into fertility and death rates will reveal that the former are quite volatile and exceedingly difficult to predict.

Once demography is on the radar, single variables that serve as a catchall can be disaggregated. For example, instead of including a single mortality rate in a model, ASDRs applied to an age-distribution will provide a richer depiction of the dynamic process. Likewise, replacing a single population growth rate parameter in a Solow Model with cohorts of working age people over time offers an intriguing and accessible research project for undergraduates.

5.0 Conclusion

This paper suggests that economics students should be exposed to demography. The population pyramid offers an engaging, accessible way to do this, even in introductory economics. There are, of course, many additional concepts, graphs, and statistics, but the material included in PopulationPyramid.xlsx, can be presented in a single lecture, with follow-up homework, lab, or class presentations.

Using Excel to evolve the age-distribution over time quickly displays the dynamic nature of the pyramid as cohorts are seen literally marching up the chart. Downloading data from the IDB directly into Excel offers a one-click solution to exploring the demographic story of any country. Barreto (2015) details the pedagogical advantages of using spreadsheets.

Choosing content is a difficult optimization problem, with many worthy options. The fundamental argument for pressing in the population pyramid and elbowing aside other important material lies in the critical role demographics will play in the future of every economy. The screeching halt to the incredibly fast population growth of the second-half of the 20th century should not be ignored by economists—in their research or in the classroom.
References


