

Europe Becoming Truly “Old”

[Fertility] rates below two children indicate populations decreasing in size and growing older. Global fertility rates are in general decline and this trend is most pronounced in industrialized countries, especially Western Europe, where populations are projected to decline dramatically over the next 50 years.

–CIA World FactBook

WASHINGTON – Indeed, Europe is already experiencing a “dramatic” fertility decline. Most European countries are below “replacement level”. Unless this trend will be reversed, overtime this will translate into smaller and older populations, with all the attendant economic, political and indeed psychological consequences associated with the prevalence of the elderly at every level of society. Societies in which old people are more numerous or prevalent tend to be less future oriented, less entrepreneurial, more risk averse. They stop growing. They become anemic, rationalizing their lack of action through some mix of political ideologies claiming the superior wisdom of a “less is more” approach to almost anything.

United Europe a strong presence in the world?

Given these pronounced demographic trends, all those who look at the enlarged European Union as a new dynamic political and economic entity, now flexing its muscles and getting ready to play a wider role in the international political system should curb their enthusiasm to a more prudent level. Most likely fewer and comparatively older Europeans will translate into a stronger aspiration for a quiet, problem free life. In international politics this will mean doing less, not more; a tendency towards minimizing problems and accommodation –even with hostile forces.

The cost of old people

On the domestic economic front, the prevalence of older people within the general population in the context of developed welfare states in which the social contract stipulates that the elderly will be taken care of means a progressive, but ultimately gigantic shift of resources from production to consumption. And this systemic trend that subtracts capital from new ventures devoting it to increased welfare spending is bound to have negative consequences on the dynamism and flexibility of these societies.

Given these demographic trends, since the public treasury cannot drain from a diminished tax base all that ideally would be required to provide adequately for both the elderly and all the other governmental activities, including research and development and new investments, overtime this will lead to stagnation and ultimately decline.

Below population replacement level

Most of Europe is now characterized by birth rates below "replacement level". Which is to say that, unless this trend is reversed and/or other factors, such as significant new, reasonably skilled and educated immigration, will intervene, in the long run these societies will be composed mostly of old people and eventually, whatever the time frame, they will become less and relevant and maybe they will disappear altogether, at least in the form in which we have known them.

Let's look at the numbers. In Europe, France is on the edge. Its rate of 1.98 children per woman places it just a little below replacement level. But the rest of the Continent is mostly way below replacement level. Norway: 1.78; Finland: 1.73; United Kingdom: 1.66; Portugal: 1.49; Croatia: 1.43; Germany, 1.41; Greece: 1.37; Italy, 1.31; and so on.

In the US the picture is somewhat better

The US is not doing great in this regard, but it is above water with a fertility rate at 2.05 which places the country a little bit above replacement level. This fertility rate means that there is still a reasonable supply of young Americans capable and willing to start something new and to maintain a reasonably broad tax base that will be able to support the government.

Still, even here in the US we see the consequences of relatively fewer births and an increased percentage of seniors within the overall population. Based on our own experience, we do understand the political and policy pitfalls created by a large population progressively growing older.

Cost of old age in America

On balance, even in America, a country in which the welfare state is not particularly developed, (at least compared to Europe), the sheer mass of increasing numbers of older people already caused a significant resource shift from investment to consumption, given the promise to take care of seniors through the public purse, be it via Social Security payments or Medicare support when they get sick; keeping in mind that improved longevity means an increase in the demand for medical services, given the ailments and infirmities usually associated with old age. In the aggregate, more capital spent to satisfy the needs of the elderly directly translates into smaller funds available for education, infrastructure, investment in research and new economic activities. In the US we already know that, unless the entitlement programs will be significantly reduced, at the current level of growth they will bankrupt the Federal Government.

And this is happening in America, a country in which the fall in overall fertility is far less pronounced than in Europe and a country in which the state gives comparatively less to senior citizens. In Europe the trend of falling demographics is much more pronounced, while the welfare state promises more

to its seniors.

The impact of a shrinking, aging population

Which is to say that, whatever we may be experiencing in the US concerning the increased financial burden of entitlement programs, in Europe the consequences of an aging population are much more pronounced in terms of size, speed, economic and eventually political impact. It is almost inevitable that, without counterbalancing forces, such as a significant influx of young and productive immigrants, societies characterized by low fertility rates will become progressively less dynamic, more risk averse and more concerned with satisfying the immediate demands of the elderly who have acquired the right to get a variety of services; while fewer and fewer active citizens produce the wealth necessary to provide them.

So, oddly enough, higher prosperity, at least in these countries, brought along the lack of desire to have children and thus the inevitable aging of the population. As a consequence, there is a shifting of resources from production to consumption and thus diminished economic vitality.

Children and confidence in the future

Now, I would dare say that there is a correlation between this phenomenon of falling fertility rates and the less empirically verifiable, yet still observable phenomenon of the rise of a risk averse culture of little entrepreneurial daring and more accommodation, including with enemies; all this rationalized and justified under pious ideas of social tolerance, justice, human rights, international dialogue, cooperation with all, and the like.

Is it possible to say that societies in which people decide to have few children or no children at all are more inward looking and less optimistic? Can we say that the desire to have children is a vote of confidence in the future? Who knows

for sure. But it is a fact that we are witnessing the emergence of this new undeclared cultural consensus in Europe amounting to doing less for the future, while doing more for the every day necessities of an aging population that needs more.

Mitigating factors?

What about other factors that may mitigate or reverse this trend leading to a population that is on average getting older, while shrinking in overall size? Europe, as far as counter tendencies are concerned, there is not much comfort in what we can observe. Indeed, there is fresh new immigration into Europe –and this would alleviate the shrinking problem. However, the bulk of the new immigration comes from Africa and the Islamic world; that is from societies whose members have quite often difficulties or no will at all to be assimilated into the mainstream of European society and culture. On the contrary, the new immigrants tend to create their own separate communities, veritable ethnic and cultural islands within an environment that may be either hostile or at least not very accommodating towards the newcomers. Immigrants usually have higher fertility rates. So, to the extent that there may be any segments of European societies experiencing population growth, this growth takes place largely among not very well assimilated and/or not especially welcome immigrants. And so, while the “native” European stock shrinks, Europe is being transformed by the unassimilated newcomers, in some regions already beyond recognition.

Transformation may be good or bad, depending on one’s own opinions and on what is it that we are measuring. If we measure academic achievement, a key precursor of future economic productivity, of the rate of innovation and ultimately of future growth, we see that increasing numbers of less literate young immigrants are not improving the broader picture in terms of academic standards and skills. In the long run, for societies to stay prosperous they need to be

competitive and this can only happen via the nurturing of human capital. If the indigenous working age Europeans are producing less because the active population pool is shrinking, while the younger immigrants are comparatively less skilled, we have strong indicators of progressive economic decline.

America and “Old Europe”

So, the “Old Continent” is living up to the metaphor, with a twist: not just old countries and old societies. Europe is truly “becoming old” in every respect; and the foreseeable consequences of this pronounced trend are not that bright. In all this, let us bear in mind that this is going to be a long, incremental process. The impact of lower fertility, assuming that it will not be reversed, is not immediate. It will take a long time for Europe to be totally transformed. But, if current trends continue, the combination of an aging population and of the continuing influx of problematic immigrants who cannot be easily assimilated tells us that our European Allies will be more inward looking. Thus they will be less interested in broader international issues that may not have an immediate impact on their welfare.

After WWII, we forged a US foreign policy predicated on the concept of a strengthened Atlantic Community, based on the two “pillars”: North America and Western Europe. After the fall of communism and the reunification of Germany, it seemed as if this Atlantic Community, having “won” the Cold War, would be dominant in world affairs. The demographic trends in Europe indicate that the European “pillar” of this Community is becoming weaker and thus over time less relevant. Time for the US to seek productive partnerships with more dynamic societies.

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