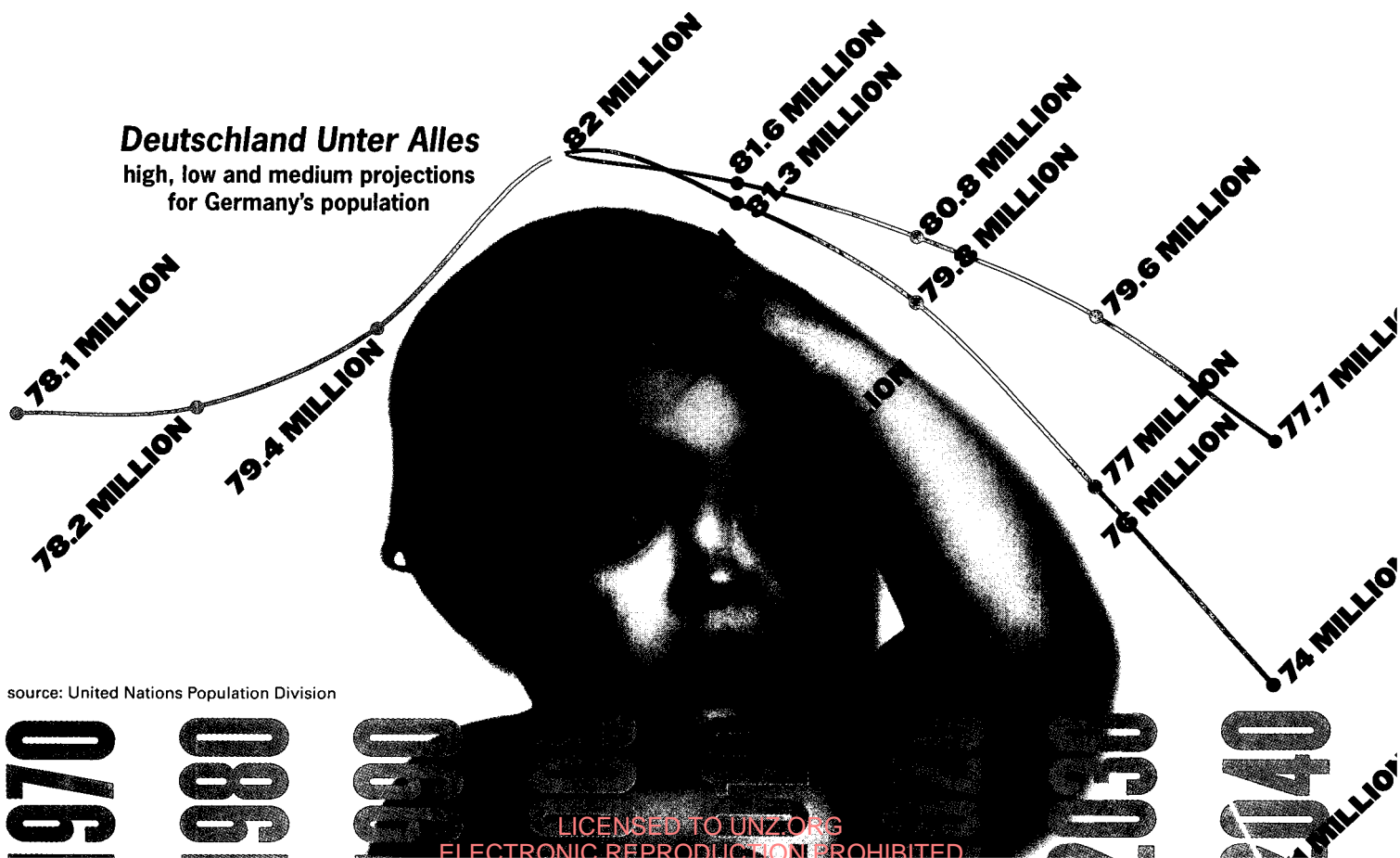


ENDANGERED SPECIES

THE COMING CRISIS OF UNDERPOPULATION

BY TOM BETHELL

Deutschland Unter Alles
high, low and medium projections
for Germany's population



source: United Nations Population Division

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Ben Wattenberg is an optimist by nature. For years he corrected gloomy conservatives who thought they were losing the war of ideas. Capitalism was winning, he said, and the Cold War would soon be won.

The title of a book he published in 1984 gives the flavor: *The Good News Is the Bad News Is Wrong*. He has been proved right far more often than not. Although he is not a professional demographer, the study of population has long been one of his interests, and in 1987 he wrote *The Birth Dearth*—"a speculation and a provocation," he called it. It was based on the remarkable facts of demography that were already available by the mid-1980s. All the predictions of the "population explosionists" were not only turning out to be wrong, they were if anything the opposite of the truth.

For this he was called an alarmist—the wrong kind of alarmist; for the field of demography has long been overpopulated with alarmists. Demographer Michael Teitelbaum called the book "seriously exaggerated." But as we shall see, the fertility declines that were apparent by the 1980s had only begun their fall. Steven Sindig, an establishment demographer at Columbia University, formerly with the Rockefeller Foundation, confirmed recently that the world is indeed turning out much as Wattenberg said it would. The downward trend of the 1980s has continued since then. The birth dearth is upon us. Its consequences cannot easily be foreseen, but they are likely to be less benign than the environmentalists have led us to believe.

Disappointed by the failure of New Soviet Man and other fantasies, the Western intelligentsia have substituted for their lost faith in progress a cosmic pessimism. Having failed to become Supermen, humans are denigrated as pollution sources. The anti-human propaganda of the environmentalists has become so fervent that we need to be reminded of an elementary truth: people are good. Without "human capital," there would be no wealth. Where people are sparse, countries are usually impoverished. Youth itself is a talent, as the long-shoreman philosopher Eric Hoffer said, and in the years ahead, as young people in Western societies become scarce relative to their elders, it seems likely that innovation will diminish. Intergenerational resentment may rise.

Amazingly, the turning point that now confronts the Western world has received very little attention. Few analysts other than Wattenberg, and his colleague at the American Enterprise Institute, Nicholas Eberstadt, have publicly drawn attention to it. But Wattenberg told me recently: "I think it may be a major turning point in the history of the species." In a newspaper column on the latest population figures from the United Nations Population Division (the source of almost all the figures in this article), he wrote that Europe by the year 2050 will be a "senior theme park of castles and cuisine, pretending to be a continent." When I read that sentence, I decided to go and see him.

He is 68 now, and he has a daughter who was born when he was 50. He is the moderator of "Think Tank," seen weekly on PBS, and an author and a columnist. He has been a senior fellow for over 20 years at AEI in Washington, D.C. When I saw him his spectacles were

in their customary place—propped up on his bald forehead. On the walls of his office were mementos of his earlier career as a speechwriter and assistant to President Lyndon B. Johnson and Senator Hubert H. Humphrey. He still calls himself a Democrat—another provocation.

I said that he had found a subject that surely challenged his customary optimism.

"I am still an optimist," he said. "But it is not an optimistic theme. Not for the Europeans, not for the Japanese. Insofar as there will be gains from it, and I am not sure there will be any, the United States will become relatively more powerful and influential." For many other countries, he said, the problems are going to be "slow-motion brutal." Fertility rates are now below replacement in every European country, with the exception of Albania, and this has persisted for long enough that within the last two years the overall population of Europe has started to decline in absolute numbers. That will accelerate dramatically in the years ahead.

Wattenberg leafed through a document on his desk. Every two years, the U.N. puts out a volume called *World Population Prospects*. The summary of its 2000 revision had just been released, and he had been pondering what he called "these incredible declines in fertility." The news is that fertility rates have declined worldwide, not just in Europe. According to the U.S. Census Bureau, 83 countries and territories, encompassing about 44 percent of the world's population, are now experiencing below-replacement fertility. Nine of the 15 largest developing countries have fertility levels lower than that of the United States in 1965.

The key number that demographers watch is the total fertility rate. A couple must have two children to replace themselves. But as some die before reaching childbearing age, additional children are needed to replace them. Also, slightly more boys than girls are born all over the world (no one knows why). Therefore, each couple must on average have slightly more than two children if a population is to remain stable. In the Western world today, the average fertility level that yields a steady-state population is considered to be 2.1 children per woman per lifetime. In less developed countries, where infant mortality is higher, the required fertility is higher. (Infant-mortality ranges from about 250 per thousand births in Afghanistan and Mali, to 6 in Scandinavia.) In the underdeveloped world today, 2.4 children per woman may be close to the replacement rate.

"When I wrote *The Birth Dearth*, only fifteen years ago, the average European fertility rate was about 1.7," Wattenberg said. "Now it is about 1.4. Remember, 1.7 was already 20 percent below replacement. Go to the international conferences, and listen to some of the demographers. The word they keep coming up with is 'unsustainable.'" That was what Antonio Golini, a demographer at the University of Rome, told Wattenberg. In Italy, the average fertility rate has declined to an amazing 1.2. "In 1964 we had one million births

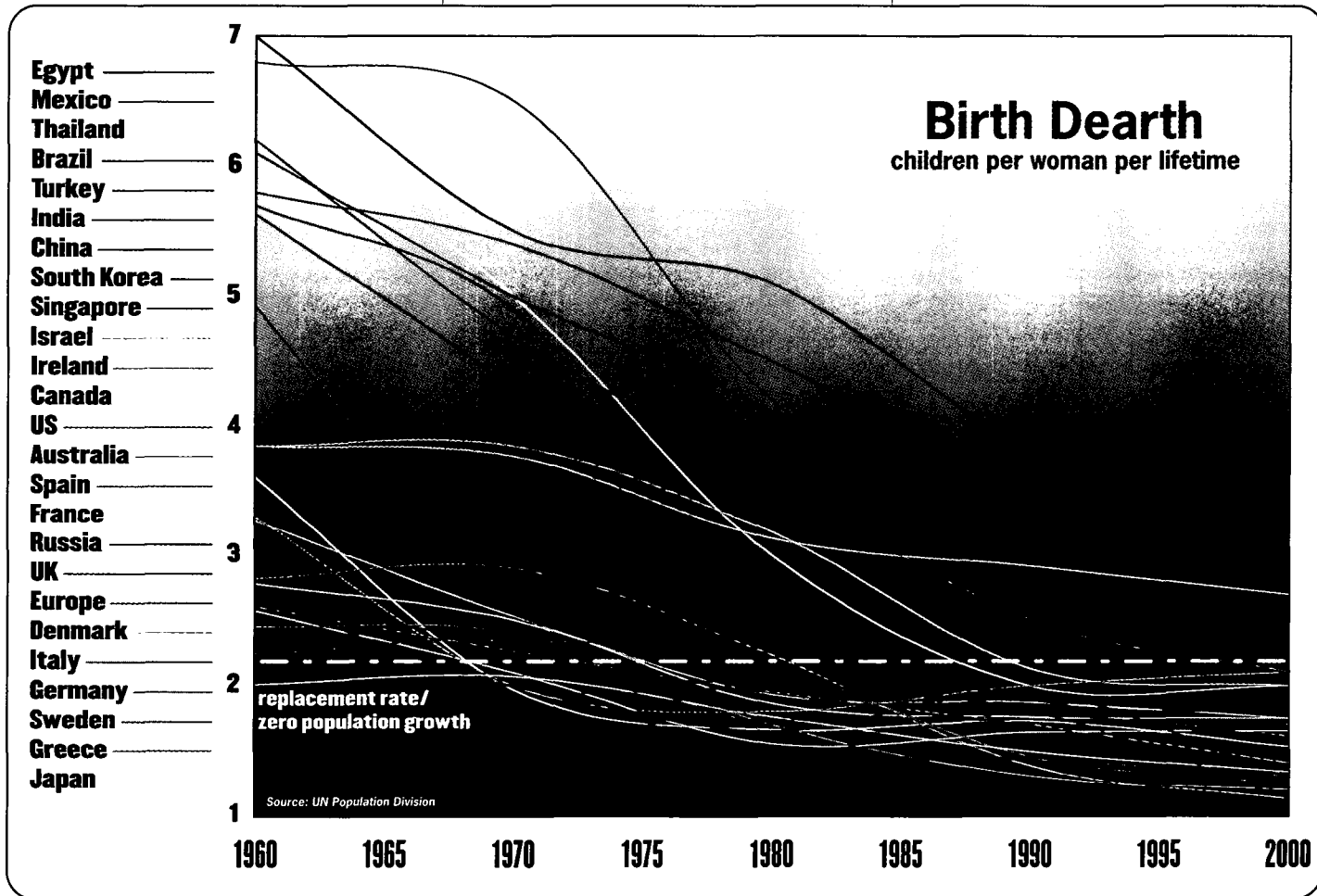
in Italy, while today we have just a bit more than 500,000," said Golini. "We are seriously wondering if fertility is sufficient to sustain the Italian system from the social and economic viewpoint," Golini said. "There is real concern that it simply isn't."

"I try to think of ways to express this," Wattenberg said. "If you were on the *Washington Post* news desk and you had a story whose headline would appropriately be 'No More Babies,' where would you put it? But that is what's happening, only in slow motion. Or perhaps not so slow."

Populations have declined before. "But it has always been catastrophic: war or a failure of harvest." In the 1930s fertility rates fell below replacement. In Vienna, for example, fertility was remarkably low, Eberstadt said. Perhaps as many as a dozen countries for a few years experienced below replacement fertility rates at that time.

Nothing like the population explosion ever happened before either, Eberstadt added. "We had more than a doubling of human life span in the course of the 20th century. Average life-span for the entire world

downward trend of fertility. In the 1970s it moved rapidly below replacement, then recovered somewhat. "There was a big shift in timing of children," Eberstadt said. "Parents were choosing to have children at older ages. Now we are back up to a total fertility rate of just over 2.0." Another reason for the recent revival is that first-generation Mexican-Americans tend to have more children than "Anglos." In Mexico itself, meanwhile, the fertility rate has plunged. It is one of the many countries where birth rates have fallen more rapidly than the poverty rate.



Nicholas Eberstadt, 45, has an office down the hall from Wattenberg. I went to see him a few days later. He, too, frequently writes on demographic trends. Since 1999, he has held the Henry Wendt Chair in Political Economy at the American Enterprise Institute, which he joined in 1985. He is also a visiting fellow with the Harvard Center for Population and Development Studies. I began by asking him if there was any historical precedent for the population declines that confront us. "No, not at all," he said immediately. "Voluntary sub-replacement fertility? Not at all."

is now around 65 years. The best guesses are that in the year 1900 it would have been around 30." What we have seen over the past two centuries, he said, "is the gradual spread of voluntary reduction in family size through deliberate family limitation. With more and more parents across the world, we are seeing a regularized, systematic preference for reduced family size." A noteworthy exception is China, where a one-child policy has been pursued coercively for the past 20 years.

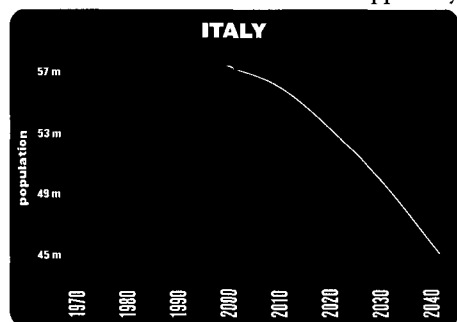
Among the industrialized countries, the U.S. has been a partial exception to the steady

With a population of 100 million, Mexico may actually be at replacement fertility right now.

Ever since the time of the Rev. Thomas Robert Malthus, whose *Essay on the Principle of Population* was published in 1798, the idea that people are reproducing too rapidly for their own good (or for ours, or the planet's) has been an enduring concern of gentlemen of leisure. Their anxiety seems to rise in proportion to their bank balances. Malthus, a comfortably situated parson with a Cambridge degree in mathematics, overwhelmed his dis-

putants with technical-sounding arguments about geometrically increasing population and arithmetically growing food supply. He blinded them with science, you might say, but he was wrong. Food-supply more than kept pace. But he prospered mightily in the history books, and in the twentieth century he attracted endless disciples.

The best known is the Stanford University doomsayer Paul Ehrlich, who revived Malthusian arguments with his best-seller, *The Population Bomb*. Among his scenarios was one in which 65 million Americans died of starvation in the 1980s—the age of overweight welfare moms. Yet, hardly a year goes by when Ehrlich does not receive another award or prize. Overpopulation remains an eminently fashionable cause. Foundations would hardly know what to do without it. From the Club of Rome's *Limits to Growth* to Al Gore's *Earth in the Balance*, the focus of concern may shift from famine to non-renewable resources to the earth's supposedly



fragile ecology, but the remedy never varies: population control, birthcontrol, the worldwide distribution of condoms.

The population-controllers will tell you that the world's population continues to increase. Indeed, the population of a country will continue to rise for a number of years after fertility has fallen below replacement. This is called "momentum." Because the women of child-bearing age were born (say) 30 years earlier, at a time when the age groups were larger, the total population will slowly increase, even though the new child-bearing cohort has fewer children. Meanwhile, the population ages. That is the stage many countries are in now. But the older generation dies off eventually, and then, with the next cycle, smaller cohorts have still smaller numbers of offspring. Then the population starts to shrink dramatically.

A decline in births can of course be offset by immigration. But immigration to Europe is low. To Japan, it is non-existent. The Europeans are beginning to talk about small

increases. In Germany, for example, 20,000 qualified high-tech workers may soon be admitted annually. The U.N. estimates that net migration from the rest of the world, including refugees, to the whole of Europe is less than a million a year. If the inflow continues at that rate, it will not be nearly enough to offset the decline in births. At the moment, the U.S. is the only country where immigration levels are high enough to do so.

Ironically, the Malthusian bogeyman of geometrical progression will indeed be upon us if present trends continue. But it will be ratcheting down, not up. "If you take a half of a half of a half you start to go down real fast," Wattenberg said. He added that he does not believe we will end up with no people: the present trend will surely turn around. But when? That is what nobody knows. One of America's leading demographers, Sam Preston at the University of Pennsylvania, said that if European fertility rates were to return to 2.1 tomorrow, the continent would still lose about 100 million people in the next 50 years. "But it is not going back to 2.1," Wattenberg said. "There is no sign of it."

If the present fertility rates persist,

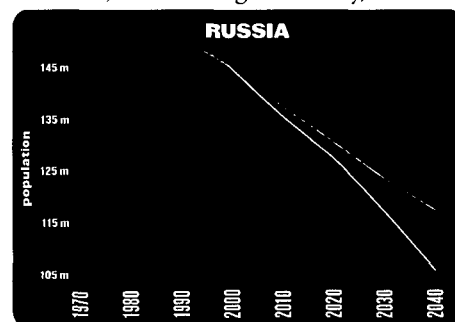
Europe's population, currently 727 million (including Russia), is expected to decline by 171 million people, or 24 percent, by 2050. Population is declining now in the following European countries: Austria, Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Italy, Latvia, Lithuania, Moldova, Romania, Russia, Slovenia, Spain, Sweden, and Ukraine. It has either peaked, or in a few years will start to decline in: Belgium, Croatia, Finland, Germany, and Greece. Poland, Portugal, Slovakia, and Switzerland are probably also on the verge of decline.

When I spoke to him one day, Wattenberg pointed out that the U.N.'s projections of future population have to some extent hidden the coming crisis. Its projections—high, medium, and low—are based on different assumptions about future fertility. Inevitably, the "medium variant" seems the most probable. It is presented first in the tables and exclusively in the press releases—and it gets all the press attention. But in recent decades, the low-variant forecasts have come closer to describing what actually happened. For many countries (wherever fertility rates have fallen below replacement), the medium projection arbitrarily reflate the fertility rate to

something closer to replacement, without any factual basis. Even the low-variant projections in the developed countries pump up the fertility rates a few decades out. It is hard not to conclude that politics, not science, explains this statistical massaging.

The news media have fallen for this three-card trick. In the early release of the UNPD's 2000 revisions, for example, only the medium-variant projections were included. They showed world population, currently 6.1 billion, growing by 50 percent to 9.3 billion in 2050. That number is "science fiction," Eberstadt said, because no one knows how many children unborn children will have. But all the news stories were able to give that figure as evidence that world population is climbing as rapidly as ever. The essentially political decision to revive the fertility rates in the years ahead was not mentioned. The U.N.'s low-variant projection shows world population peaking in 2040 at about 7.46 billion people.

Brazil, the sixth largest country, illustrates



the manipulation of the numbers. "Brazil is hitting replacement now," Wattenberg said. "Its fertility rate is 2.15. But over the past 35 years that number has dropped from over six children per woman. And what do you know? U.N. figures show that 50 years from now their fertility rate is still at 2.1. Because it's a less developed country, they don't take it below that." That's the rule they follow. And that is why the medium variant projection shows continued growth in world population. Or take Italy, where total fertility is now 1.2. The U.N.'s medium-variant projection restores that number to 1.6 by 2050. But in the maternity wards of Italy, there is no sign of any such restoration. (In the low-variant projection, Italy's fertility rate is unchanged, and the country's population drops from today's 57 million to 40 million by 2050.)

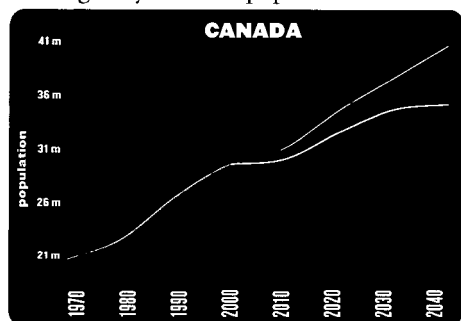
Below-replacement fertility has been going on for 25 years, Wattenberg added. "No one expected it or thought it would go this deep, or expected it to stay there that long. No one knows how much further it may go.

And there is no good theory as to why it might go up again.”

The many organizations dedicated to spreading alarm about population growth show no sign of acknowledging what is happening. John Baird, formerly the head of the China division of the U.S. Census Bureau, and now retired, is an expert on China's one-child policy, and since his retirement he has kept up with the demographic trends. I asked him if population-control organizations like the International Planned Parenthood Federation express any concern at all about the worldwide trend.

“They don't seem to,” he said. “They tend to dismiss it, because the priority attached to their funding is based on a public sense of alarm over population growth.” Talking instead about below-replacement “throws in a very different alarm and one that does not serve their purposes at all.”

Demographers themselves have been backing away from the population-crisis idea



for several years. “But they are not advertising the fact,” Baird said, “because demography gets a good deal of its funding from the public perception that population is a critical issue. If you downgrade it, there are other critical issues, and the funds will go elsewhere. So you have a basic conflict of interest that affects both humanitarian and professional interests and causes them to behave publicly in ways that are not entirely forthright.”

Today, the environment (rather than famine) is the overriding rationale for promoting population control abroad, and it is the theme song of all the major population-control groups. “The finite resources of the world cannot support an infinite number of people,” intones Zero Population Growth. “World population will *continue* growing,” warns Population Action International. “More people means more pollution,” says Negative Population Growth, which lives by the rhetoric of crisis. “Rapid population growth continues to be a significant world-wide problem,” says the William and Flora

Hewlett Foundation, despite “the impact of organized family planning programs.” The David and Lucile Packard Foundation believes that “continued growth of the world's population places unprecedented demands on the earth's resources, and impacts the quality of life for both present and future generations.”

Ted Turner has spoken of mankind as “breeding like a plague of locusts,” and his foundation “sees the whole field of environmentalism and population as nothing less than the survival of the human species.” Bill Gates wants to “expand access” to family planning, while Warren Buffett is another billionaire who favors fewer people. The Population Research Institute's Steven Mosher, who was expelled from China when he drew attention to that country's coercive policy, says of Buffett: “It is hard to understand why a man like him, so blessed with material goods, should take so misanthropic a view of the people with whom he shares the planet, and from whose existence he profits.”

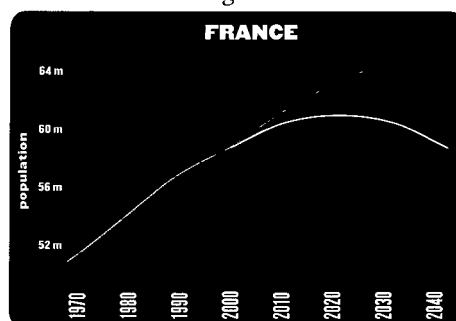
What are the causes and consequences of these remarkable declines in fertility? And can anything be done to reverse them? When I

asked Wattenberg if he could assign a cause, his litany told me that there was no easy answer: “Modernism, in all its many facets. The move from farm to city. The education of women. Legal abortion. Better contraception. Television—a big one in my opinion. Modern communications. This situation, as much as you can say about any demographic trend, is universal. The one outlier may be sub-Saharan Africa and even there you have the beginnings of dramatic declines.” In answer to the same question, Nick Eberstadt said: “If you can find the shared, underlying determinants of fertility decline in such disparate countries as the United States, Brazil, Sri Lanka, Thailand and Tunisia, then your Nobel Prize is in the mail.”

Trying to find a “general theory” has proved to be frustrating, Eberstadt added. “One gets back to the tautology: Fertility is declining because desired family size is declining. But why is that happening? Long-term fertility decline started in France around the time of the Napoleonic Wars. But why not in England? If one takes the view that socioeconomic improvements lead to lower family size why would it have been the France of Victor Hugo rather than Dickensian England? France was

a lot poorer than England, a lot less educated, a lot more rural, a lot less industrial, and of course it was Catholic, which supposedly impedes changes in family size. Yet it was France that came first.”

It's hard to believe that abortion and contraception, not to mention the worldwide anti-natalist propaganda, have not played a role. A unified theory of fertility decline could simply be this: Propaganda works. The anti-natalist campaign of the last 35 years has indeed delivered its barren fruit. But Eberstadt withheld the Nobel. Fertility has dropped just as fast in Brazil, where there has been no national population-control program, as it has in Mexico, where there has been a “big, muscular government program.” On the day I saw Eberstadt, it was reported in *The New York Times* that Malta is now the only country in Europe that still prohibits abortion and divorce. He promptly looked it up on a website. Malta's fertility rate is 1.9 and falling.



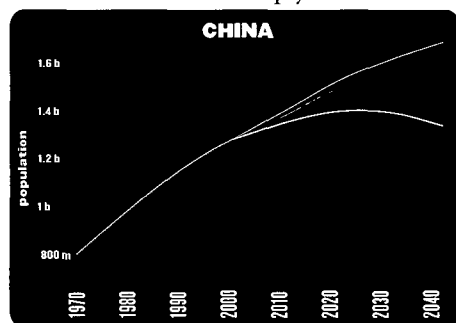
Likewise, Wattenberg: “Population growth has gone down everywhere, including places with no population programs. Which undermines the U.N. argument that if we stop population aid (which I favor) then fertility will go up.” But he also said: “I do think the Ehrlichs of the world have a lot to answer for. I've given speeches and women have come up to me saying that back then they wanted a second or third child but it was ‘unpopular’ because of Ehrlichism.”

One country where a decline in child-bearing occurred with amazing speed is Iran. It is now on the verge of sub-replacement. In 1989, the mullahs admitted the family planners and the condom crowd, and births duly plunged. Feminists and Western journalists were thrilled. “Iran's campaign has won worldwide praise,” said Robin Wright in the *Los Angeles Times*. “From Norplant to condoms, IUDs to the pill, including both male and female sterilization, birth control products are free to all takers. In the process, sex has come off the list of

taboo subjects in the Islamic Republic.”

“Quite a bit of intellectual gymnastics were needed to explain exactly how an anti-natal family planning program comported with the teachings of the Prophet,” Eberstadt said. “There are so many arguments that modernization is the driver of fertility change. But you have to have an elastic definition to see the rule of imams over the last 22 years as a modernizing force. Economic growth has been close to zero over this period.”

It is conventional to think of child-bearing today in economic terms. It is not how we would have thought about it earlier, but for journalists and analysts in our day it is second nature. The idea is that the “costs” of having children (or the “marginal cost” of having one more) is high compared to the benefits. There is no way of measuring all these costs and benefits, so the theory is to some extent self-fulfilling. In cases where it doesn’t seem to hold—when parents have several children—we simply assert that the



overall “benefits” of children (including the joy they bring to their parents) are high compared to their costs. As no meter can measure such subjective things, the underlying theory can never be falsified. So it does have its problems. But it also has its uses. Some costs and benefits—in particular those associated with buying things for children, educating them, working, paying taxes, and receiving benefits from the welfare state—can to some extent be measured in money terms. And when we look at them, particularly those associated with the welfare state, we can see just how much the costs of child-bearing and -raising have risen in the past 30 to 40 years.

One economic demographer who proposed a theory of fertility decline associated with the rise of the welfare state is Michael Bernstam of the Hoover Institution. Straggled-bearded and Russian-accented, Bernstam stresses that he quit the field of demography ten years ago, and today he calls himself simply a “thinker” (not normally per-

mitted at think tanks). He points out that the great consequence of the welfare state was to “transfer income from people of child-bearing age to older people.” Before that happened, he argues, the U.S. fertility rate had been at replacement level for a long time. Its drop in the early decades of this century accompanied a parallel drop in child mortality rates, and meanwhile the population kept on expanding as a result of considerable immigration (concentrated in the first two decades of the century).

By the late 1960s, however, the welfare state had been expanded dramatically, and the burden of taxation rose commensurately. That was achieved mostly by stealth, with inflation moving employees into higher tax brackets. The unadjusted dependent-child deduction was dramatically reduced by the same subterfuge. Increasingly, women entered the labor force to help alleviate the burden, and, not surprisingly the preferred family size fell at the same time. Birth control allowed sex to be separated from procreation, and a constitutional right to abortion was conjured out of thin air by a politicized Supreme Court.

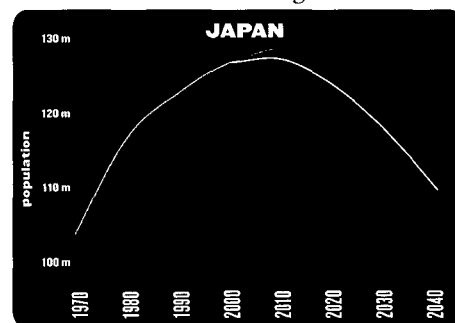
The transfer of cash benefits to older peo-

ple made them increasingly independent of their children, and, by the same token, young people foresaw that the new system would give them independence when they came to retire. The consequence (unintended) was to remove what has historically been seen as one of the most important “economic” benefits of child-bearing: children returned the favor by looking after their parents in their old age. Now, the old-folks were being looked after by the state, and so an important incentive for having children was removed. Not only were the costs of child-bearing increasing, but the benefits were diminishing.

We are only now beginning to realize that because this system of intergenerational transfers resembles a Ponzi scheme, its long-run stability depends on an ever-increasing supply of children who become good taxpayers in turn. The last 25 years have shown that this simply is not happening. The first consequence of the birth dearth, then, is that welfare states are in jeopardy everywhere. Paul S. Hewitt, project director of the Global Aging Initiative at the Center for Strategic and International Studies in Washington, testified before Congress last September that global aging has the potential to be “a first-

rank crisis, one that wipes out the modern welfare state as we know it.” The underlying problem is consistently misrepresented. It is attributed to “the aging of the baby-boomers,” Wattenberg says. “Wrong. The shortfall is principally driven by the fact that the boomers didn’t have enough babies to support them in their old age.”

On this analysis, birth rates will eventually recover if the welfare state collapses. Hoover’s Bernstam believes that with the end of income transfers from young to old, fertility will return to replacement levels. In a roundabout way, the welfare analysis is confirmed by examining this question: What would it take to restore Western fertility rates to replacement level? What “benefit” would be high enough to overcome the “costs” of childbearing? “There is a point, let’s say at \$64,000 a child, where it is going to work,” Wattenberg said. Parents would have more children. “That doesn’t mean that it’s affordable. But it deserves investigation.”



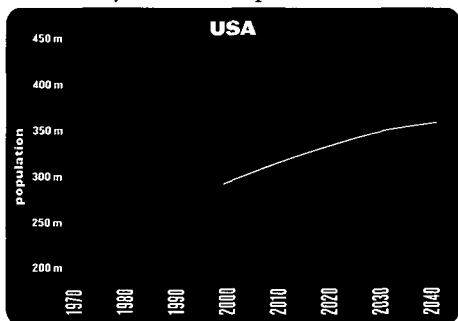
To some degree it has been investigated. In European countries, and in Japan, incentives and bonuses for additional children have been offered. These have had minimal effect, however, showing that the incentives, if they are to work at all, have not to date been strong enough. Eberstadt said that for a program to achieve the desired result, the government would have to “devote a large portion of national output to employing woman as childbearers instead of office workers. You can appreciate what an extraordinarily expensive project that would be. Modern Western women have alternatives to childbearing. You would have to offer them competitive or even superior wages simply to stay home and have children.”

In the years ahead, such a project will become even more expensive. As the working population shrinks, as is already happening in Europe and in Japan, rising wage offers will attract more women into the workforce. The cost of getting them to stay home instead, and have more children, will

have to exceed those foregone wages. Japan illustrates the problem. "The more Japan worries about labor shortages, the more interest there is in increasing women's participation in the work force," Eberstadt said. "And as their participation increases, you can guess what that does to childbearing. So it's a vicious circle."

Suppose we had a system where couples with a fourth child would cease to pay taxes, I asked. What effect would that have?

"Some. Not much," Eberstadt said. "The highest fertility population in the U.S. at the moment probably is Mexican Americans. We're talking about a group that currently has somewhat over three births per woman per lifetime. As a group they are also relatively low income in the U.S. So, would the promise of a tax break of a couple of hundred dollars a year encourage them to have a number of additional children? Not if they are calculating at all. What about Anglo-Americans? Maybe some impact, but I think it



would be marginal."

As to the European experiments, Eberstadt said that Sweden had carried out the most expensive campaign, in the early 1990s. "Family support for each child, a paid bonus, and so on. I think they devoted five percent of GDP to it. The immediate result was a jump in the birth rate, followed by a slump to even lower levels. What happened was that people who had been vaguely thinking about having a child a few years down the road decided, well, let's do it now before the incentives go away. The timing changed, but not the number of children. Now Sweden's fertility rate is lower than ever. The European experience more generally has shown how expensive it would be to get the state into any sort of a successful program."

Alan Freeman of the *Toronto Globe and Mail* published a detailed report on family allowances in France and Germany, noting their "huge cost." France's welfare state "will spend a mind-boggling 290 billion francs (about \$70 billion) on its family policy this

year," he reported in 1999. "That's more than the country's budget on defense." Family allowances have been in place since the late 1930s in France. Still, fertility in France has remained below replacement. Parents receive \$165 a month for their second child, \$212 for their third and each subsequent child. Parents are also eligible for a \$2,000 subsidy every quarter for a child under three, and \$1,000 for a child from three to six. There are back-to-school allowances, housing allowances, creches, day care, subsidized rail travel for large families, and so on.

Family allowances in Germany, in place since 1955, are comparable to those in France, or perhaps somewhat smaller. Plainly, they have not been sufficient to revive fertility.

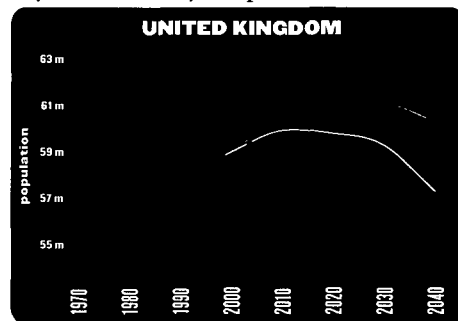
"So the argument is that pro-natalism doesn't work," said Wattenberg, reviewing the European experience. "Well, it doesn't prove that because you don't know how far it would have gone without it. So it's an open question." In fact, France is one of the few countries in Europe where population is not now dropping. Its family policy may have succeeded in warding off something worse.

Japan, where the workforce has been shrinking since 1995, has offered child-bearing incentives, with little effect. *The New York Times* reported 18 months ago that a toy-making company in Tokyo had offered a \$10,000 bonus to employees who had a third child. None of 950 employees had qualified when the article was written, but the company estimated that "four or five workers a year" might do so eventually.

The European and Japanese experience has shown that the point at which many couples could be induced to have a third or a fourth child is so high that the welfare state would have to be shut down to pay for it. Raising taxes in these countries is not an option. But raising the subsidy high enough to induce significantly more births is also unlikely. Current retirees, and those who expect to retire soon, have the political clout to ensure that benefit levels remain untouched. Only in a climate of crisis will the necessary reforms occur, and the stage of crisis has not yet been reached. For one thing, government officials no doubt realize that saying there are too few people, so soon after the hue and cry about there being too many, would destroy their own credibility.

When I suggested to Nick Eberstadt that a successful pro-natalist policy might spell the end of the welfare state, he said: "You would be talking about sums comparable to what the welfare state absorbs. And as you think through the expense of any sort of a serious pro-natalist policy, you are led to the alternative of immigration. If you are trying to stabilize a country's workforce, it is much easier to import than to produce."

America's birth dearth is less dramatic than that of other countries because it takes in far more immigrants than any other country (about a million a year). Europe fears immigration from outside the Continent—within the European Union there is free migration—while for Japan excluding foreigners is "a religion," as Wattenberg put it. The country deports more people than it naturalizes. With about 126 million people in a country the size of California (pop. 34 million) Japan has the same population density as India. Only 1.2 percent of the coun-



try is foreign born, compared with over ten percent for the U.S. and nearly 20 percent for Switzerland.

A rarely noted point is that the welfare state makes its own contribution to xenophobia, and this in turn greatly complicates the task of admitting more immigrants. Citizens who may tolerate transfer payments in principle will be less well disposed once they perceive that, to qualify for support, a foreigner needs only get his foot across the border. Those who are welcomed when doing the manual labor that others shun will be less kindly regarded if they seek to live at the taxpayers' expense. It is striking that race relations in Britain, a country that is regarded as generous with benefits for refugees, and where less than 4 percent of the population is foreign born, are considerably worse than they are in Switzerland, where the foreign born percentage is five times higher than it is in Britain. In Switzerland, a severe obstacle course confronts all welfare-seekers. Foreign nationals must have lived in the country for

10 years without interruption to qualify for "supplementary benefit," and Social Security goes to citizens only. In some Swiss cantons 30 percent of the workers are foreign born; and a nationwide referendum to reduce their numbers was defeated in 2000.

In welfare states, therefore, a rational sense of limits to the state's redistributive powers is apt to be construed as racism, particularly by those who adamantly support state "generosity" to foreigners. The New York Times paid little attention to the birth dearth until recently. But when it did, in a recent editorial, it right away perceived the looming threat to Europe's welfare states, which will need "75 million immigrants" if business-as-usual is to be preserved. So large an influx seems politically unlikely, and the underlying problem was tagged as one of "racism and xenophobia"—categories much more comforting to The Times than the strange notion of welfare states devouring their own children. The truth is that welfare states don't just undermine fertility; they stymie its most obvious remedy—immigration.

Europe's fate in the next decade will be

interesting to watch, for the crisis will surely erupt in that period. The problems will be equally severe in Japan. We are beginning to see analyses of "global aging" from investment houses. Goldman Sachs's report earlier this year ("Global Aging: Capital Market Implications"), took a relatively benign view, foreseeing that "global aging should have a positive effect on the capital markets between 2001 and 2010 as baby boomers and governments focus on saving for retirement." Flows into financial assets of the eight leading industrial countries "should grow from \$65 trillion to \$144 trillion by the year 2010." Thereafter, a decline in economic growth and equity returns is foreseen. But the assumptions underlying the Goldman Sachs report are murky, and posit too optimistically steady-state productivity and labor-participation rates.

Other analyses are less optimistic. The decline of human capital and the aging of populations cannot auger well for economies that depend on creativity for their advancement. In congressional testimony last year, CSIS's Paul Hewitt pointed out that in the next 25 years, elderly populations in the industrialized world will rise by 120 million

people, while those of working age (all of them in the U.S.) will rise by just five million. He foresaw that within two decades much of the industrial world could find itself in a "aging recession." It would be marked, Hewitt said, by:

declining asset values, falling levels of consumption, spikes in precautionary saving by aged workers, falling growth rates and hence tax revenues, chronic budget deficits, declining returns to investment, capital outflows, and currency crises. If this sounds familiar, it should. Japan, in my opinion, already is in an aging recession. Its population has leveled off and soon will decline. Consumer spending has fallen for 29 straight months. Property values have collapsed. The retail and construction sectors are on deficit-financed life support...

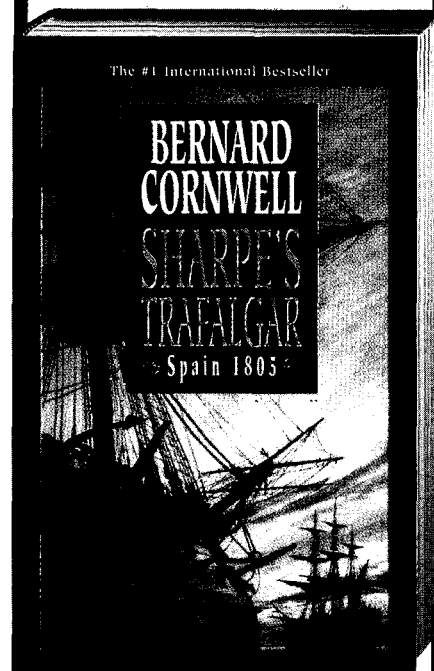
In its flagging currency, the euro, Europe, too, is beginning to exhibit symptoms of decline. Capital is fleeing the Continent at an unprecedented rate. Despite today's unfavorable exchange rate and the supposed overvaluation of U.S. equities, German companies announced \$94 billion in U.S. acquisitions in August [2000] alone. One reason for this is that

European companies face the prospect of declining unit sales as far as the eye can see. A real estate shakeout is also on the horizon. Italy, Germany and several smaller countries will experience dramatic declines in their household-forming age groups—Italy could have 30 percent fewer persons aged 25-40 by 2020.

If this is borne out, it will adversely affect the whole world. Decline in Japan and Europe will hardly leave the U.S. untouched. That assessment may be too pessimistic, but we surely need to be reminded that we are entering into a phase of history unprecedented for the modern, developed economy. Ben Wattenberg is right to warn that we may be at a "major turning point." Recall also that we are immersed in a climate of opinion formed by ideologues who are utterly convinced that fewer people is what we need and who are as blind to the dangers of demographic contraction as they have been hostile to the benefits of expansion. The press is their plaything. We may expect, therefore, that adverse consequences will not be anticipated, and, when they come, will be blamed on almost anything other than "too few people."

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