

# THE DEATH OF EUROPE

How demographic decline will  
destroy the European Union

ANTHONY SCHOLEFIELD

FUTURUS

THE FUTURE OF EUROPE  
AND THE WORLD

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destroy the European Union

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## FOREWORD

*'Europe is literally melting away like snow in the sun.'*  
United Nations. World population at the turn of  
the century, New York 1989

I want to say a few words about how this study came into being.

I was fortunate enough to read in 1999 a copy of Richard Cragg's *The Demographic Investor*.<sup>1</sup> Written from the point of view of an investment adviser, this shows the impact there will be on financial markets from the implosion of the EU populations over the next 50 years and advises investors on the relevant portfolio allocations. It also shows the power of demography and changing fertility and life expectations to affect every aspect of states and societies.

Like most concerned citizens, I viewed the debate over Britain's future relations with the EU on the basis of a 'steady state' economic and political relationship where the main weight and balances between the various EU states and their neighbours had not changed since the 1960's.

This old fashioned view of the 'steady state' relationship of the EU states is still shared by the political class as an article in *The Daily Telegraph* on June 3, 2000 by Daniel Johnson showed: 'The fact that Germany is, as it was from Bismarck to Hitler, the largest nation state in Europe. Federation is a German solution to the German problem'.

If we look to the future, we must cast away ideas of the age of Bismarck and Hitler and excessive deference for Germany which is about to undergo a major decline in economic and political power. The whole power structure of the Euro-Mediterranean world will change radically over the next fifty years because of the change in Europe's population. By 2050, Turkey will have a population almost double that of Germany while Germany's workforce will be similar to that of France or Britain.

I was impelled to hurry on with this study by the reports in the Italian press on 29th March 2000 on a new UN study of Italy's future population. This showed it dropping by 16 million by 2044 and was described by Italy's Accountant General as an 'ecatombe demografica'. These were buried in tiny paragraphs in the Italian newspapers. It is incredible that the announcement

that the population will drop by 30% and the workforce by 45% in 50 years only warrants a few lines buried inside the middle pages of Italian newspapers.

This study is a wake-up call. I want to show the population crisis and its effect on Britain's entanglement with the EU for what it is. 'Without a marked rise in the (birth) rate which seems increasingly unlikely, or greatly increased immigration, with all the problems that this implies, Europe will begin to die. There will not be sufficient workers to run industry or tend the sick'.<sup>2</sup>

I have found it astonishing that the political and economic effects of the European population crisis on Britain's relation with the EU have barely surfaced in serious political commentary and where they have, are centred on a rather peripheral matter - the effect on British interest rates of unfunded EU pension liabilities.

It is the purpose of this short study to change this.

I would wish to acknowledge the help I have had from the use of the facilities at the Library of the Office of National Statistics and also for permission to reprint extracts from the conclusions of the Mountain View Research Papers published in *Nature* in June 2000. These are reprinted by permission from *Nature* Vol. 405 pp. 744 and 789. Copyright 2000 Macmillan Magazines Ltd.

## TECHNICAL NOTES

- A. The main measuring rod of fertility is the Total Fertility Rate (TFR). This measures the total fertility of all women within the reproductive age group within a single year. With the low mortality rate of European children, a TFR of about 2.10 for each woman implies long term population stability.
- B. The United Nations publishes an Annual Demographic Yearbook. It also publishes World Population Prospects and this is revised every four years. This forecasts three scenarios, a high, medium or low variant. The medium variant is the most likely trajectory of future population. However, since the UN also publishes the fertility assumptions on which these scenarios are based, it is possible to conclude from these which variant is most likely by comparing with the actual data supplied since the date of the projections. This is done in Table D. It shows the low variant as the most likely trajectory of the EU population. This is also confirmed by the UN report on Italy in March 2000. I have used the 1994 edition of World Population Prospects for EU countries because the 1998 version makes a substantial upgrading of the German population due to forecast immigration of 10 million between 2000 and 2050. While this may be a true projection it is clearer to work with the figures without immigration distortions.

On the basis of this comparison I have used the UN low variant for EU populations. However, I would recognise that for Britain and France this is an underestimation as the fertility rates are tracking the UN's medium variation projection, increasing the relative size of Britain's and France's population within the EU. The UN medium variant projections in any case produce figures for EU countries which are only slightly more optimistic but do not differ on the major trajectory of demographic decline.

The UN's medium variant projection for 2050 is based on current day fertility rates gradually rising to replacement rates in Britain and France (a TFR of 2.10) by 2050 and to just below replacement rates in Italy, Spain and Germany. Should these substantially increased fertility rates be reached Britain and France would

just maintain their overall populations but Italy, Spain and Germany would still show overall population drops of between 20 and 25 percent.

- C. The UN figures assume a very low level of migration (much below actual trends) rapidly reducing to zero. This is the main reason for the difference with the UK's National Office for Statistics population projections. This is discussed in the text.

On 4th May 2000 the UN Population Division published a document entitled *Replacement Migration: Is it a Solution to Declining and Ageing Population?* which was widely reviewed including under such headings in the Observer as "The EU needs 159 million immigrants" (11th June 2000). Many of the conclusions of the UN study are based on the demographic projections in this study and reach similar conclusions. However the UN document is postulated on a marked increase in fertility above the levels being experienced in the EU in the 1990's and also on life expectancy which seems unrealistically low in the light of the Mountain View analysis. There are other defects in the UN document which are too technical to discuss in this study.

## THEME OF THE STUDY

The arguments advanced in this study will be that the countries of the European Union face an unprecedented fall in population. This will begin about 2010 and will become noticeable by about 2025. In the following 25 years up to 2050, Europe will shrink and change shape in a way no modern society has experienced.

This fall in population will be accompanied by a huge rise in the number of pensioners and thus proportionately an even greater fall in the economically active labour force, those aged 15-64.

**Table A**

*Births in EU countries*

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1960	5.8 million
1993	4.1 million

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*Life expectancy in EU among men*

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1950/5	63.2
1980/5	70.0
1995/2000	72.8

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Source: Eurostat

Table A gives an overview of the twin scissors affecting EU countries. Births are down by 30% in the last 30 years. Male pensioners are on average living 8 years beyond retirement whereas in 1955 they did not reach retirement age.

Pension costs and health care costs will soar as the population ages. The impact of these burdens will be greatly increased by a fall in the number of workers so each worker will have proportionately to bear an increased load in meeting the pension and healthcare costs of the army of pensioners.

The deteriorating demographic picture will impact unevenly on the countries of the EU. Britain, France and Ireland although facing severe problems will be less affected than the rest of the EU because of their different demographic history and profile.

The EU countries will suffer a stunning drop in their importance as markets. The consumers will simply not be there. Consider the demand for houses or cars in the Italy of 2044 when it has a population of 41 million, 36.5% of which are pensioners compared with that of 2000 with a population of 57 million, 18% of whom are pensioners.

The effect on the budgetary outlook for most EU countries will be dire, with those which already have substantial public debt being faced with additional huge pension costs on a reduced tax base. 'Because of this, economic performance will begin to diverge sharply within Europe, causing strains which could tear the single currency apart in the next century'.<sup>3</sup>

The Eastern European countries which are EU applicants are likely to face an explosion of pension costs as their demographic profile becomes nearer to Western Europe.

Finally, the EU is bordered by countries with a completely different demographic profile. Muslim countries generally have far higher birth rates than other countries in the same stages of development. One of these, Turkey, has already been given encouragement that it will enter the EU at an EU conference at Tampere in Finland in 1999. This will lead to the centre of gravity of the EU moving eastwards as the huge Turkish population and labour force becomes the dominant state in the EU. Morocco has also expressed its wish to join the EU although no formal application has yet been made.

The conclusion is that the *raison d'être* of Britain's membership of the EU which is access to EU markets is about to be destroyed by the disappearance of those markets. Despite being relatively less affected by the demographic crisis Britain will be tied to declining markets, face the financial backwash of increasingly indebted partners, and will face a future in which the EU's centre of gravity will move to the Eastern Mediterranean.

## PRESENT STATE OF DEBATE

In 1984 in the newspaper *Liberation*, Jacques Chirac, President of France said 'In demographic terms, Europe is vanishing. Twenty or so years from now, our countries will be empty and no matter what our technological strength, we shall be incapable of putting it to use'.

Plainly looking around Europe in 2000, nearly twenty years after Chirac's remarks, this dire prophecy does not seem to have come to pass. Was it wrong? Not at all. Jacques Chirac was simply wrong in his timing, whether from faulty appreciation of the workings of demography or over dramatisation.

The UN has been publishing figures showing the true picture for many years. Indeed, gloomy forecasts have been current in the statistical industry well back into the 1980's.

'In the old West Germany, birth rates have been below the replacement level (of Germany) of 2.1 births per woman since 1969. In 1989 the Population Reference Bureau has projected that if the low birth rates persist then the population of the former West Germany will decline to only 9.7 million in 2130 (in comparison with 61 million in 1987).'<sup>4</sup>

Incorrect forecasts of the Chirac-type do not warn the public because they turn out to be so wrong. They are obvious errors and this induces complacency. If Chirac had extended his time frame to fifty or seventy years instead of twenty, he would have been accurate. The picture of the EU's crude births and deaths is set out in Table B. Note the Turkish figures for comparison.



**Table B***EU births and deaths (ooo's) 1996*

	<b>Births</b>	<b>Deaths</b>	<b>Net increase</b>
Austria	87,823	80,190	7,633+
Belgium	116,208	105,312	10,896+
Denmark	67,675	61,085	6,590+
Finland	60,723	49,167	11,556+
France	733,940	536,660	197,280+
Germany	765,221	884,588	119,367-
Greece	101,500	100,500	1,000+
Ireland	48,530	31,645	16,885+
Italy	526,024	555,203	29,179-
Holland	188,964	137,543	51,421+
Luxembourg	5,689	3,895	1,794+
Portugal	109,830	105,372	4,458+
Spain	352,549	337,321	15,228+
Sweden	95,158	94,036	1,122+
UK	733,300	638,900	94,400+
<b>EU Total</b>	<b>3,993,134</b>	<b>3,721,417</b>	<b>271,717+</b>
Turkey	1,379,000	408,000	971,000+

Source: UN Demographic Year Book, 1996 (refers to 1995 or 1996 figures available to UN)

Most politicians and commentators are aware that the population of the EU is ageing. It is part of the political background. However, the extent of the ageing problem is not recognised. The figures are given in Table C. Insofar as any of them are aware of the decline in the fertility of the EU's populations there is a tendency to regard it as an aberration and that fertility will recover naturally.

The idea that there will be a pensions 'crisis' in the EU is one which has been aired at Westminster and particularly by Euro-sceptic political and financial commentators.

However, the pensions 'crisis' is just one of a series of 'crises' which the EU demographic decline will bring about. These will include the decline of the EU countries as markets and as producers, massive impact on government budgets, interest rates and taxes, the decline of the EU as a political force and the possible disintegration of European societies under the impact of massive immigration.

**Table C***Pensioners as a percentage of total population—actual and forecast*

		UN Low variant		UN Medium variant
	1995	2020	2050	2050
Austria	15.7	20.0	32.1	26.4
Belgium	16.7	21.4	31.1	24.8
Denmark	14.9	20.8	28.1	22.9
Finland	15.9	22.3	28.5	21.5
France	15.9	20.7	30.0	24.5
Germany	15.9	21.3	34.1	30.0
Greece	16.5	22.7	35.5	31.4
Ireland	11.5	16.0	27.7	22.1
Italy	17.1	23.8	39.0	34.2
Holland	15.1	20.7	30.1	25.6
Luxembourg	14.3	20.4	31.7	25.0
Portugal	14.8	24.8	36.4	25.9
Spain	15.4	20.7	39.0	34.6
Sweden	17.8	22.1	28.3	22.3
UK	16.0	19.1	28.6	22.6
Turkey	4.97	8.5	20.0	15.6

Source: UN World Population Prospects 1994

Let us be quite clear that the declines in the population of certain EU countries over the next ten to fifteen years will be minor and will, in fact, help to reduce unemployment especially in Germany. The major decline in EU population will not begin until after 2015.

There is no recognition in Brussels or in Westminster or in the countries or regions of the EU which are worst affected of the magnitude of the crisis which is now only just over the horizon.

The gravity of the problem is not only not realised, it is not even on the horizon of politicians and pundits. The reason may be the following:

'But because it does not deal with sudden catastrophe but with the slow relentless tick of demography and because it will involve substantial financial sacrifice by almost everyone alive in the west today, it is likely that many politicians, trade unions and pensioners will continue to duck the issues raised.'<sup>5</sup>

## DEMOGRAPHY

Demography is the building block of states and societies. However, it is both slow acting and inexorable. Changes in demographic statistics take a very long time to work their way through a population. Our society today is influenced by the births and, therefore, the cultural and social conditions which existed in the 1920's and even the pre-1914 era, worlds very different from that of today.

Malthus' Essay on Population published in 1798 was a major influence on political thought in the nineteenth century and afterwards. Much of the debate in the 1970's which led to the rise of the Green philosophy and the famous study 'The Limits of Growth' was based on Malthusian arguments.

'The debate heightened in 1972 with the publication of the highly influential but now largely discredited Club of Rome report entitled 'The Limits of Growth'... It also broadened the Malthusian argument, incorporating environmental issues into the debate.'<sup>6</sup>

In April 2000 The Guardian carried a series of articles on world over population which still expressed this philosophy and, indeed, it is still applicable to some countries in Africa and West Asia.

It was just possible to argue in the 1960's that this was the future outlook for the rest of the world with EU birth rates well over replacement level but for those with eyes to see it was already apparent that middle class Indian and East Asian families had already drastically reduced the size of their families.

In Europe the fall in fertility and birth rates has been dramatic. In Germany there were nearly 2 million births per year between 1900 and 1910 out of a population between 54 and 64 million. In 1995 there were 765,221 out of population of 81 million.

In Italy there were 1,016,000 births in 1964 and even 900,000 in 1972. In 1995 there were 516,024.

The population crisis in the EU is a two pronged one. The fundamental crisis is one of fertility. Total Fertility Rate (TFR) is used by demographers to measure the fertility rate in any given year. With the low mortality rate of European infants and children, a TFR of about 2.10 for each woman implies long term population

stability. Anything below that implies a long term population decline even if the current population is increasing.

A glance at the TFR's in Table D shows that the EU countries have been failing to maintain long term population stability and this goes back to the mid 1970's. Germany, Italy and Spain have particularly low fertility rates among the larger EU countries.

**Table D**

*Are EU actual fertility rates in line with the UN low variant projections of the 1994 UN World Population Prospects used in this study?*

	1990/5 UN Projection	1990/5 Actual	1996/7 UN Projection	1996/7 Actual
Germany	1.26	N/A	1.26	1.28
Spain	1.20	1.32	1.20	1.17
France	1.72	1.71	1.62	1.72
Ireland	2.05	1.98	1.95	1.87
Italy	1.22	1.25	1.22	1.18
UK	1.75	1.77	1.65	1.72

Source: UN Demographic Year Book 1998, and UN World Population Prospects 1994

From the above, one can see that fertility rates are approximately tracking the assumptions in the UN low variant projection.

As every year passes what is now a 27 year old tendency becomes more serious. Indeed, the first age groups of smaller number of births in the mid 1970's are now themselves entering the prime reproductive age and showing no sign of an upturn in TFR.

The mechanics are simple. If the age group born in 1973 has a TFR of 1.80 per woman and their daughters have a TFR in 2000 of 1.70 per woman (in the UK) there will only be 1.52 babies born per woman as against the 2.10 required to maintain stability of her grandmother's generation. In other words the longer the fall in fertility persists, the harder it will be ever to turn round.

Alongside the fall in fertility has been an increase in the life expectancy of the elderly.

The figures in Table C are frightening enough with pensioners more than doubling as a percentage of population in most EU countries by 2050. In the example of Italy given later, one of the countries most severely affected by demographic decline, UN forecasts are that the number of pensioners will exceed the number of workers.

However, there is evidence that the UN figures underestimate the potential number of pensioners (and, therefore, total population).

It is not widely appreciated that life expectancy rates in advanced countries, in fact, increased as rapidly between 1985 and 2000 as between 1970 and 1985. For example, in only 9 years between 1988 and 1997 life expectancy rates in EU countries according to Eurostat increased by 2.1 years for men and 1.8 years for women.

The result of this is that the UN projections which assume lower increases in life expectancy and which are the foundation of this study are already out of date.

Moreover a study published in *Nature* in June 2000 by Mountain View Research of California has further implications. It is based on the fact that life expectancy is increasing at 'a remarkably constant pace' and is based on the falling death rate being extended from a reduction in deaths from the diseases of childhood and growth to a reduction in deaths from diseases of the elderly especially heart disease and, since 1990, of cancer. It states 'in the past, national governments, as well as international organisations and academic researchers, have almost invariably under-predicted life expectancy in industrialised market type economies'.

It is worth pulling together all the relevant forecasts because the statistics will have 'large implications for the financing of public-programmes of old age support and pensions as well as private and public health insurance'.

The below table demonstrates that between 1990 and 1995, life expectancy in most EU countries increased 0.5 years more than the UN forecast. Therefore, the number of pensioners in Italy for example was 300,000 more than forecast. This may not seem very much but if we turn to the figures for 2050 the implications are very large.

**Table E***Life Expectancy in Advanced Countries (average of both sexes) Comparison of Forecasts*

	UN Forecast made in 1990 1995	Eurostat Actual 1995	UN Forecast 2050	Official or Eurostat Forecast 2050	Mountain View Forecast 2050
France	76.9	77.9	82.1	83.50	87.01
Germany	76.0	76.5	81.5	81.50	83.12
Italy	77.5	78.1	83.3	82.50	86.26
Spain	77.6	77.9	82.3	N/A	N/A
UK	76.2	76.6	81.6	82.50	83.79
Japan	—	—	—	82.95	90.91

Taking Italy again, life expectancy is estimated by Mountain View Research to be 86.26 instead of 83.3 on which this study is based. This would increase the number of pensioners in Italy to be supported by 11,934,000 workers in 2050 from 14,923,000 to 17,336,774 taking the ratio of pensioners to workers to 1.45 from the 1998 figure of 0.43.

The number of underestimated pensioners in the Mountain View scenario varies greatly from one country to another with the Japanese figure being horrendous - an under-estimation of over 40%. The figure for France is also very high with an under-estimation of about 4.2 million pensioners.

Once again the UK is less affected. On Mountain View Research's figures, the life expectancy increase from the UN figure of 81.6 to 83.79 results in an increase in the pensioner population of 13.19%, from 13,920,764 to 15,756,912, in 2050.

Nevertheless, for the four major EU countries of France, Germany, Italy and the UK, Mountain View's forecast for 2050 is that the UN forecasts underestimate the number of pensioners by about 10.8 million.

It should be emphasised again that I have used the UN projections in all the figures in this study but that it is reasonable to assume that these substantially under-estimate the likely pensioner burden for EU countries by 2050.

Table F

*Populations 1950-2050 (in 000's) Actual and Projected*

	Actual 1950	Actual 1975	Projected 1995	UN low variant Projections	
				2020	2050
Austria	6,935	7,579	8,045	7,919	6,419
Belgium	8,602	9,796	10,137	9,812	8,028
Denmark	4,190	5,060	5,228	4,886	3,935
Finland	4,090	4,711	5,108	4,970	4,066
France	41,829	52,699	58,143	58,031	49,339
Germany	65,224	78,769	81,661	76,319	56,388
Greece	7,566	9,047	10,440	9,893	7,598
Holland	10,114	13,653	15,459	15,704	13,009
Ireland	2,952	3,177	3,598	3,641	3,266
Italy	45,645	55,441	57,291	52,439	38,266
Luxembourg	296	362	381	414	332
Portugal	8,312	9,093	9,916	9,504	7,966
Spain	27,563	35,596	39,210	37,604	28,165
Sweden	6,924	8,192	8,831	8,996	7,895
U.K.	50,616	56,226	58,606	57,338	48,674
<b>EU Total</b>	<b>290,858</b>	<b>349,401</b>	<b>372,054</b>	<b>357,470</b>	<b>282,346</b>
Turkey	20,809	40,025	61,945	86,513	106,284

Source: World Population Prospects UN 1994

Note: The UN medium variant projection for 2050 for Britain is 56.6 million and for France is 59.8 million. On balance it looks as though Britain and France's population will be closer to these figures than the UN low variant used in the study.

When looking at EU total populations given in Table F the two scissors effect has cancelled each other to some extent over the period 1975-2000. The reduction in the number of children and young people has been offset by a growth in the number of pensioners.

This cannot continue indefinitely and total population falls from the bottom age groups up leaving a top heavy pensioner society.

It is worth noting that any attempt to reverse the demographic avalanche will take a very long time. When considering population projections for the year 2050, one third of the population at that date is already born and, indeed, thirty per cent of the available workforce at that date is already born.

## THE REASONS FOR DEMOGRAPHIC DECLINE

The purpose of this study is not to examine the reasons for demographic decline. Volumes have been written on the subject of fertility rates. Nor are there any conclusive arguments. However, there are few studies of the political and economic effects of demographic decline. This is the purpose of this study.

To focus the picture it is worth sketching in a few factors which may have affected the decline in EU birth rates which began in the early 1970's and in particular to consider whether there is a likelihood of this decline being reversed.

The long term decline in fertility which began in France about 1830, in England about 1870, and in Germany about 1910, lie outside the scope of this study.

The 1970's began an era of changed social conditions for women in Europe and, indeed, in all high income countries. These were:

- The rise of the working woman
- The importance of higher education for women
- Increased home ownership (particularly in the UK)
- The prospect of longer life and the need to make financial provision for old age
- Family breakdown. As Joe Bailey puts it 'A growing reluctance to get married has been accompanied by an increasing reluctance to stay married'.<sup>8</sup>

Not all these factors were operating in all countries. For example, in East Asia, family breakdown is limited (illegitimacy rates are generally under 1%) but birth rates are still dropping heavily.

These factors have impacted on birth rates in the following ways:

There has been a substantial fall in the number of families with four or more children. Their contribution to total births has fallen from 16% to 8% in the UK.

There has been a steady rise in the age at which women are bearing their first child, now up to 29 years in the EU. This inevitably limits total fertility.

There is a rise (over 50%) in the number of women who do not have children at all in the UK. According to Population Trends (2000) published by the Office



of National Statistics this is now projected to be 21% of women from the 1960's generation instead of 14% of women born in 1931.

In general it can be said that women's education and women's working is bad for fertility.

In nearly all countries the fertility rates of graduates is below that of the population at large.

The dependence of family income on the wage of the working woman is also a disincentive to fertility. Indeed, the UN has stated that the greatest single depressing factor in the birth rates is the percentage rise in women's income relative to men. The higher the mother's income, the greater loss when she leaves employment to have children. This, however, does not explain the exceptional low birth rate of Italy, a country with low female economic activity.

Fear of family breakdown produces a desire and need for financial independence and saving for old age. This is a severe inhibition to starting a family.

Awareness of the fragility of State pensions and health care in old age may further inhibit reproduction in favour of saving for old age.

All the above factors are likely to increase.

## **CAN DECLINE BE REVERSED AS IN THE 1930'S**

In the 1930's there was a major fall in fertility in Europe. Indeed, John Gunther's 'Inside Europe' published in 1938 noted that population experts expected the population of the UK to fall to 33 million in 1985 (actual 55 million).

The chief cause was obviously the economic and political uncertainties of the early 1930's. Moreover this drop was quite short-lived and fertility rates turned up in the late 1930's.

As demographic projections do not have a very good record, there is no absolute reason that fertility rates might not suddenly turn up for no apparent reason but for the reasons given earlier, this seems unlikely.

## BRITAIN'S SPECIAL POSITION

Britain stands out as one of the only three EU countries (with France and Ireland) not so badly affected by the demographic decline. This does not mean that Britain faces no demographic problems. It certainly does. Its pensioner population will rise from 16% to 28.6% by 2050. It is merely a statement that the decline will produce crisis earlier and more far reaching in other EU countries.

This is partly a consequence of Britain's very slow decline in fertility spread over 100 years and also of a lower mortality rate among the elderly being attained at an earlier date. In other words, the demographic decline and the rise in the elderly population has taken place over a very long period and has been smoothed out.

Moreover the current TFR of 1.71 while below replacement rate is substantially above the EU average of 1.43 (see Table G).

**Table G**  
*United Kingdom total*  
*Fertility rates 1960-95*

1960	2.71
1965	2.87
1970	2.45
1975	1.81
1980	1.89
1985	1.83
1993	1.76
1995	1.71

Source: Office of National Statistics

However, caution needs to be used with all population figures. The Population Trends 99 published by the Office for National Statistics indicates a UK population of 61 million by 2050 on the assumption that there are 95,000 immigrants per annum. A calculation shows that such immigration between 2000-2050 equals 4.75 million and together with their descendants could account for much of the difference with the UN projection total of 48.6 million).

The EU situation however impinges on Britain very directly.

**First**, since 1972 a much greater proportion of Britain's trade has been directed to the EU by regulation, by the CAP and by tariffs and quotas. The decline in the size of the EU populations means a decline in the EU countries as markets particularly as populations in the rest of the world are increasing. This undermines the basic rationale of Britain's involvement with the EU in the eyes of the business world. An increasing locking in of the British economy to a sector of world with declining demand seems quite irrational.

**Second**, the immense pressure on public finance in the EU caused by a declining workforce and an army of pensioners will be transmitted directly to Britain through the provisions of EMU which dictate 'economic convergence' and 'close co-ordination of member states' economic policies' (Maastricht Articles 2 and 4).

**Third**, if the worse affected EU countries follow the path of substantially increased immigration as advocated by the Governor of the Bank of Italy this is likely to lead to political strife and instability and Britain itself may be caught up in the immigration backwash.

**Fourth**, Britain has already a large funded pension system with world-wide investments. This will enable it to substantially avoid the crisis building up in the continental Pay as You Go state fund pension schemes but there will be enormous pressure from the worse affected countries to offload their burden by harmonising taxes, centralising budgets in Brussels and pooling government debt.

**Finally**, it is difficult to see what political benefit to Britain there is in an EU whose centre of gravity moves to the East and where the strongest political influence will accrue to the EU's then biggest state, Turkey.

To sum up, the economic rationale of the EU as a market is being knocked away. The bulk of the EU and possible joiners in Eastern Europe face a future of economic contraction and possible financial collapse from about 2020. It is inevitable that they will try to shift part of the burden onto the UK.

## ITALY—AN EXAMPLE

Italy along with Germany and Spain faces the gravest demographic crisis but nearly all EU countries are in a similar plight. It is worth examining the Italian position in some detail.

One of the greatest stimuli to write this study was a recent conversation on a plane with a businessman from Trieste. He was travelling to the UK to visit his girlfriend and we discussed reports carried in Italian newspapers on 29th March 2000 of the just published UN survey.

He told me that Italians were completely unaware of the impending demographic catastrophe but he himself had noted how many children there were in the UK and that in Trieste it was noticeable that you rarely saw children. This anecdotal evidence is confirmed by the figures for Friuli-Venezia Giulia (the Trieste region) which showed it to be about the worst affected region of Italy.

On 29th March 2000 the newspaper *La Repubblica* quoted 'il Ragionere generale Andrea Monarchio che ha evocato 'l'ecatombe demografica'; nel 2044, secondo uno studio dell'ONU, saremo 41 milioni (contro a 44 stimati dalla Ragioneria)' *'The Accountant General, Andrea Monarchio has called to mind 'the demographic disaster'. In 2044 according to a UN study, we will be (a population of) 41 million (in contrast to the 44 million estimated by the Treasury)'*

This was surely political dynamite and the same report said 36.5% of the Italian population in 2044 will be over 65. Italy's present population is 57 million and its working population is about 23 million. The UN's new estimate which is in accordance with the UN's 1994 projections used in this study, shows, therefore, a drop of 16 million from today's total population. By utilising Italian statistics on workers and activity rates in 1998 it is possible to project the likely composition of the Italian population in 2050 and show that the number of pensioners will exceed the number of workers. The analysis is given in Table H.

**Table H**  
*Italy Population structure (000's)*

	1998	2050
Under 15's	8,382	3,290
Pensioners	10,012	14,923
Workers	22,892	11,931
Non workers of working age	15,581	8,122
<b>Total</b>	<b>56,867</b>	<b>38,266</b>

Source: Annuario Statistico Italiano, 1998, Roma, UN World Population Prospects—1994

The above figures are based on projecting 1998 activity rates onto the population age groups of 2050.

As I mentioned in the Foreword, what was almost equally astonishing as the figures showing an implosion of the Italian nation is the fact that they were buried in small reports in the middle of newspapers.

The study of Table H shows a halving of the Italian workforce by 2050 and a pensioner population in relation to the workforce rising from 43.7% to 125%. Even in 1986 Italy's pensioner population was only 13.5% of the total population. By 2050 it will be 38.9%. (This excludes the forecast by Mountain View Research of a further 2.4 million Italian pensioners).

As in all countries, different regions will have different outlooks. A study of crude births and deaths in Table I shows that Northern Italian regions are already in a state of decline while the Southern Regions like Campania and Puglia still have a surplus of births although severe long term decline is inevitable. Yet it is precisely in the Northern regions that economic activity rates are highest (participation in the workforce in Piedmont was 44.56% v 36.83% in Sicily) so economic activity will be disproportionately affected.

The decline of Italy as a market will be profound as housing, offices and shops become redundant. The motor-car population of 30,301,224 in 1994 is likely to decline to 20,000,000 or so bringing a massive crisis in Italian car production after about 2025.

**Table I***Italy The regional variations in 1997*

	Population	Births	Deaths	Net
Friuli-Venezia Giulia	1,184,654	9,241	14,471	-5,230
Toscana	3,527,303	26,485	41,329	-14,844
Emilia				
Romagna	3,947,102	30,040	46,341	-16,301
Piemonte	4,291,441	33,266	49,454	-16,188
Campania	5,796,899	70,841	45,369	+25,472
Puglia	4,090,008	43,288	31,871	+11,417

Source: Annuario Statistico Italiano, 1998, Roma

The impact on Italian public finance will be particularly severe as Table J shows because Italy has already got a public debt (in 1997) of 115.2% of GDP v Maastricht requirements of 60%.

**Table J***Italy—the government debt picture*

GDP 1997 (Billion ecus)	1011.1
Government Debt as % of GDP	115.2
Government Debt (billion ecus)	1164.2
Debt per worker 1997 (ecus)	50,856
Debt per worker 2050 (ecus)	97,577
Debt per worker 2050 in sterling	£68,303

Source: Eurostat 1998/9

For comparison British public debt per worker in 1997 was approximately £10,000 per head

The above figures are predicated on Italy not allowing its public debt to rise but paying for its ballooning pension and health expenditure out of increased taxation.

It is likely that the flight by the labour force into the black market and emigration will have broken the Italian government's finances long before then.

On 29th March 2000 the Governor of the Bank of Italy, Antonio Fazio, contributed his solution 'Immigration if opportunely organised will facilitate economic growth. It is not a negative experience but a necessity, above all in

countries like Italy where the population is ageing and this creates problems for the health service, pensions and social security'.

If the Governor intends his solution to maintain the Italian economy and, indeed, in his own words—growth—he seems to envisage  $17\frac{1}{2}$  million immigrants in Italy in the next fifty years which will in many Northern Italian regions be 40-45% of the population. No wonder this is kept to the back pages of the newspapers in opaque language as the Governor envisages the greatest mass population movement since the Fall of the Roman Empire.



## THE EASTERN EUROPEAN APPLICANT STATES

Fertility rates throughout Eastern Europe plunged after the fall of the Berlin Wall. In some cases this accentuated a decline in population which was already taking place. If anything current fertility rates are below that of the EU.

However, should these countries join the EU, one area where they differ from the EU could bring substantial financial needs. As shown in Table K the current age of death in Eastern Europe for men is approximately 66 as opposed to 73 in the EU. Should these countries be successful in raising living standards and the health of their populations, their budget for pension costs could expand enormously to finance eight years of retirement instead of one year. Their state finances will be put under pressure to meet this.

**Table K**  
*Eastern Europe: EU applicant countries*

	Population	TFR	1995 average age of death for males
Bulgaria	8,356	1.36	67.85
Czech Republic	4,501	1.58	67.77
Estonia	1,470	1.36	63.83
Hungary	10,193	1.57	64.48
Latvia	2,491	1.44	63.26
Lithuania	3,710	1.72	64.87
Poland	38,628	1.79	66.68
Romania	23,207	1.34	66.60
Slovakia	5,298	1.52	66.52
Slovenia	1,991	1.29	67.74
<b>Total</b>	<b>99,855</b>		

Source: UN Demographic Yearbook 1996

## TURKEY

The EU agreed at the Summit in Tampere in Finland in 1999 that it would eventually admit Turkey as a member of the EU.

Although the Turkish fertility rate is considerably less than the Muslim countries surrounding it and declining sharply, it is substantially above that of the EU countries and the forecast population for Turkey for the year 2050 is 106 million on the UN medium variant projections (see Table F). It should be noted that this UN projection assumes a fertility rate of 2.10 or stability from the year 2010 which seems unlikely.

In the year 2050 Turkey's population of 106 million will contrast with the population of the existing EU states which will have sunk to about 290 million and the Eastern European applicant states of about 80 million. With Germany's total population having sunk to 56 million, Turkey will have almost double the population of the next biggest state. Moreover in estimating the available workforce Turkey will rank much higher.

This will produce political pressure for a drain of funds to Turkey to invest to bring it up to the EU average and will inevitably move political and economic power sharply to the East.

**Table L**  
*Total fertility rates 1995*

Egypt	3.61
Iran	5.30
Iraq	5.70
Syria	4.70
Saudi Arabia	6.37
Morocco	3.75
Turkey	2.55

Source: UN Demographic Year Book, 1996

Moreover Turkey's own neighbours have vastly greater fertility rates than Turkey as shown in Table L. The projected populations of these countries by the year 2050 are shown in Table M and Iran, Iraq and Syria have common borders with Turkey or, should we say by then, with the European Union.

**Table M***Populations 1950-2050—muslim countries adjacent to the EU*

	Actual		UN Medium Variant Projections		
	1950	1975	1995	2020	2050
Egypt	21,834	38,841	62,282	90,491	114,844
Iran	16,913	33,344	62,324	89,105	114,947
Iraq	5,158	11,020	20,095	37,664	52,916
Syria	3,495	7,438	14,200	24,555	34,490
Saudi Arabia	3,201	7,251	18,258	36,424	54,461
Morocco	8,953	17,305	25,966	36,742	45,434
<b>Turkey</b>	<b>20,809</b>	<b>40,025</b>	<b>61,276</b>	<b>84,187</b>	<b>100,644</b>

Source: UN World Population Prospects 1998. All in 000's.

Note: Turkish projected population is lower in the 1998 forecast than in the 1994 forecast.

It is rather difficult to see how the EU, which by then will be more than preoccupied with the internal demographic problems of the European states, will channel sufficient funds into Turkey to bring it up to EU standards and, therefore, erect and maintain a very steep gradient of wealth and demographic pressure in Anatolia.

It should be noted that Morocco has also indicated its intention to apply for EU membership. These two states would account for almost 30% of total EU population and a substantially greater proportion of the labour force.

## THE REST OF THE WORLD

The phenomenon of declining birth rates and an ageing population is world-wide but there are some areas of the world which are not experiencing it. As put by Eurostat:

'Population ageing is a global problem which is also bound to affect the Third World sooner or later. It is the most important social phenomenon of the late 20th Century and poses a number of problems: a decline in the proportion of persons in employment will make it difficult to finance pensions, stretch social service budgets, etc.'

It is worth sketching the position in the rest of the world to get the crisis in the EU in perspective but from the point of view of the United Kingdom, the variations to be expected in population and workforces are not of direct impact. After all, nations have risen and fallen, populations have risen and declined over history and the United Kingdom has adjusted to these. It will, no doubt, adjust in the future.

### JAPAN

The country which shares many of the same immediate demographic problems as the EU is Japan. By 2050 over one-third of the population will be over 65. In the years 1947-1949 the Japanese produced an incredible 2.6 million births per annum from a population of under 80 million. Yet in 1997 the number of births was 1,190,000 in a population of 126 million. This was less incidentally than Turkey with a population of 62 million. The UN projects by 2050 a population of 110,015,000 in its medium variant and 93,990,000 as its lower variant. It is worth noting that between 1995 and 2000 actual Japanese fertility rates were similar to those used by the UN in the lower variant projection (a TFR of 1.40). On this lower variant, the Japanese population halves by 2090.

On 31st May 2000 the Guardian carried a report by Jonathan Watts on how major Japanese corporations are now making financial offers to their employees. The maker of the 'Tamagotchi' toy has offered 1 million yen (about £7,000) to any employee who has a third child, yet without any takers. Almost

every government department has now set up a commission or taskforce to address the problem.

Japanese commentators say that the main problem is the high education and incomes of Japanese women and the high cost of bringing up children. Marriage and family result in a lowering of living standards for the Japanese woman.

'For women these days, marriage means lowering their living standards. The result is fewer weddings and fewer births', says Sumiko Iwao, a professor at Keio University.

What the Guardian report did not mention was that the demographic crisis was just as acute in the EU and this would directly impinge on the U.K.

## **THE FAR EAST**

China and parts of South East Asia as well as many other countries, some of them unexpected, will face the same problems as Japan on an even greater scale. Their fertility rates were much higher than in Europe and the decline in births has been compressed into a far shorter period than the century or so since Europe's birth rates peaked and the 130 years since Britain's peaked.

For example China's fertility rate has been below replacement level for some years and the fertility rate in Thailand has also now dropped below replacement level to 1.71; Korea's rate is 1.65. On the other side of the globe in Brazil the total fertility rate dropped from 6.00 in 1960-5 to 2.44 in 1995.

These countries will experience the problems of the EU and Japan by the year 2100.

## **USA**

The USA has resisted a decline in fertility far better than Europe. The TFR of white Americans is about 2.00 or just below the replacement rate of 2.10 and indeed slightly increased between 1990/5 but fertility rates of Hispanic Americans is much higher - 2.98 in 1995. The result is an increasing proportion of the US population being of Hispanic origin (up from 9.0% in 1990 to 22% in 2050.)

UN forecasts are that the population of the USA will increase from 267 million in 1995 to 349 million in 2050 including immigration while EU population drops from 372 million in 1995 to 283 million in 2050 (UN low variant). The political and economic weight of the USA in relation to the EU will grow markedly.

## **INDIA**

Contrary to most perceptions, India's birth-rate is quite low for the less developed countries being around 3.27 in 1995 (averaging 3.39 between 1990-5). Nevertheless, this birth-rate is affecting an already huge population. India celebrated its billionth citizen in May 2000.

## **MUSLIM COUNTRIES AND AFRICA**

The exploding populations in the Near East are discussed elsewhere because of their impact on Europe but it is worth noting that in a whole number of Middle Eastern countries the TFR is between 4.70 and 6.00, completely against the trend in the rest of the world. Turkey is the exception with a TFR now down to 2.55.

'Although Islam is not opposed to population planning policies, religious conservatism often results in it not being given a very high priority.... Demographically the Islamic populations of the world stand out in contrast to other nations of similar economic development having low death rates but high birth rates.'<sup>9</sup>

Africa also has an exploding population fuelled by high TFR's with a population estimated to increase from 627 million in 1990 to 1999 million in 2050.

## **BRITAIN AND THE EU THE DEMOGRAPHIC IMPACT**

On reviewing the meagre existing political and economic studies of the EU population crisis, I am surprised to find that comment has centred on what is called, in Business for Sterling's 'The Case for Keeping the £', the pensions 'time-bomb.'

Moreover this is dealt with in terms of the effect that this would have on British interest rates if over-stretched EU countries decided to borrow their way out of the pension problem.

While this, indeed, could be a serious problem and is covered in this study, it is only one of a series of 'time bombs' that demographic decline will set off and is far from being the most likely or serious one.

Indeed, as is considered by the European Research Group's study 'The Euro: bad for business', EU governments might decide to pay for increased provisions partly or wholly out of increased taxation. This would, of course, bring on a different set of problems.

### **THE MARKETS CRISIS**

The prime selling point of the EU in Britain has always been the importance of being linked politically and economically to what are Britain's largest markets. Indeed, in the spring of 2000 there was the controversy over claims by the body, 'Britain in Europe' that if Britain left the European Union millions of jobs would be 'at risk'.

The decline of the populations in the EU states from 2015 onwards means that the importance of these countries as markets will inevitably shrink and those that supply them, like Britain, will have to reorientate their business outlook and search for markets elsewhere.

A market in decline from falling population has also some peculiar characteristics which set it apart from other economic contractions. It exhibits a severe case of over investment. There are simply too many houses, shops and

factories for the people left. The remaining population is increasingly inheriting property, cars and consumer durables it takes a long time to use up. So investment plummets even more rapidly than GDP and in the long period while the population uses up spare investment, demand is likely to fall even faster than population. There is also a knock on effect in reducing technical innovation.

A study done in Austria and quoted in Richard Cragg's *The Demographic Investor* shows what the position would be if the Austrian economy in 2000 had the same demographic characteristics as the year 2050.

**Table N**

*Projected changes in the Austrian economy in 2000 with 2051 demographics*

Private consumption expenditure	-32%
Imports	-15%
GDP	-20%
Labour demand	2,714 million
Labour supply	1,967 million

Source: Joachim Land and Josef Richter, *Labour Market Implications of Ageing—The Austrian Case*

The EU model where the countries trade mainly with each other will have to be abandoned as these markets dry up. EU companies will have to look outside Europe for their markets.

Meanwhile East Asia (except Japan), the Americas and South Asia will continue to expand as markets because of their population growth.

Some areas of EU economic activity such as agriculture will be gravely affected by the loss of consumers. The fall in prices which a normal market would use to compensate for shortage of demand is not allowed under the Common Agricultural Policy and the costs of keeping this in being are likely to balloon considerably beyond the extra £25 billion required to directly compensate for loss of agricultural markets due to shortage of consumers.



## THE LABOUR FORCE CRISIS

As is demonstrated in the Italian study, projections are that working age populations in the EU will fall considerably faster than overall population. There we can see that in Italy (Table H) while overall population falls by 30%, the number of workers almost halves.

The decline in birth rates in the 1970's is now beginning to impact on the size and composition of the workforce. Because of current early retirement trends the labour force can decline even faster than the population of working age. Governments will have to search for more labour. These measures could include raising the retirement age and here we should note the wise British decision to raise the retirement age for women to 65. There will be a drive to stop early retirement and shake out disability income recipients as well as to improve activity rates in regions of the economy which are below the average. For example in Italy, the employment activity rate in Sicily is nearly 8% below that of Piedmont. If this could be improved to the Piedmont level it would bring another 400,000 workers into the economy in Sicily alone but where there is very little economic activity at present.

**Table O**

*Labour force projection—Principal European Countries in 000's*

	<b>Total Population in 2050 aged 15-64</b>	<b>Activity Rate 1998</b>	<b>Total workforce 1998</b>	<b>Total workforce 2050 (using 1998 activity rates)</b>	<b>Change in workforce</b>
France	28,517	68.2	25,457	19,448	-6,009
Germany	31,859	70.7	39,046	22,524	-16,522
Italy	20,051	58.1	22,629	11,649	-10,980
Spain	14,786	61.3	16,126	9,063	-7,063
UK	28,815	74.9	28,205	21,582	-6,613
Turkey	68,765	N/A	N/A	45,797	N/A

Source: UN World Population Prospects UN 1994, Eurostat (for 1998 figures)

**Notes** 1. Activity rate is expressed as the percentage of population aged 15-64 in work or seeking work.

2. Turkey—activity rate for 2050 assumed to the EU average for 1998, i.e. 66.6%

However, these measures will be a long way short of finding the additional workers required in most EU countries.

Table O shows the available and likely workforces in the main EU countries in 2050. The drop in the five largest EU countries is of the order of 45 million workers. Moreover Turkey's projected workforce would be bigger than Britain and Germany together.

## THE PENSIONS CRISIS

Except for Britain and Ireland, all EU countries mainly operate a Pay as You Go state pension scheme whereby current workers' contributions finance the pensions of the retired. This worked well in the Europe of the 1950's and 1960's when the number of pensioners was low in relation to workers. This will now be reversed dramatically by the fall in the number of worker-contributors and the rise in the number of pensioners.

Table A once again emphasises that the net number of years a male pensioner in Europe drew a pension increased from nil in the 1950/5 period to nearly eight years in the 1995/2000 period.

The ratio of pensioners to workers in Italy will rise in Table H from 43.7% to 125%. Therefore, the Italian worker's pension contribution will almost triple.

No wonder that pensions have the same mystic political pulling power in mainland Europe that the NHS has in the UK. The almost total dependence of the elderly in the EU states on state pension payment is political dynamite. Indeed at one point Helmut Kohl had to write to all pensioners in Germany to ensure them that their pensions were safe with him.

In all this Britain and Ireland are in much better shape. Not only do they have a much better demographic profile but 52% of EU pension fund assets belong to British pensioners.

Although the UK has weak areas in pension provision mainly to support those pensioners who are not in company or SERPS type pension schemes the majority of British pensioners are not totally dependent on the now inadequate British state pensions and pensions are not the political dynamite they are in mainland Europe.

It is difficult to see how EU governments can now overcome their pension crisis. It is now far too late to introduce funded pension schemes in the worst

affected countries. Doubling or tripling the workers' pension contribution is likely to lead to wholesale emigration or moves to the black economy.

The scene is set for inter generational conflict and indeed an armlock on governments exerted by the elderly who are the most assiduous voters which will bring down government finances.

'As a population ages, the political power of the elderly in democratic societies seems set to rise. As the number of elderly people in the European population increases, they will inevitably form a greater and greater proportion of the electorate. Governments will have to take into account the needs and demands of the elderly to secure their votes. This may result in political rivalry.'<sup>10</sup>

## THE HEALTHCARE CRISIS

The entire state healthcare system in Europe is also facing collapse from the demographic changes ahead in Europe.

From Table P it can be seen that while in the UK those aged 65 and over comprise 16% of the population in 1993 they accounted for 42% of health expenditure. Using these figures and applying them to Germany and Italy, the

**Table P**  
*Hospital and community health services*  
*gross current expenditure by age, 1993-4*

	£m	%
All births	1147	5.3
0-4	1365	6.4
5-15	1210	5.7
16-44	4757	22.3
45-64	3942	18.5
65-74	3277	15.3
75-84	3600	16.9
85+	2063	9.6

Source: Richard Cragg, *The Demographic Investor*

rise in the pensioner population in these countries to 34.10 and 39.0% of the total population by 2050 from the present 15.9% and 17.1% means the health service expenditure on the elderly would have to expand by 214% and 228% by 2050. The whole health budget would be taken up in servicing the over 65's.

Put another way, just to stand still, total health budgets would have to receive increases in Germany of 42% and Italy of 53.7%.

Therefore, the health service obligations are a significant addition to state pension obligations.

## THE CRISIS IN STATE FINANCE

The effects of the increased elderly population show up in government budgets mainly through increased liabilities for pensions and healthcare.

However I would first like to look at the income side of national accounts. The dramatic drop in the number of workers will mean that after 2020 most EU countries will be hard pressed to maintain GDP at current levels. Long term growth via productivity will be offset by a fall in GDP due to population loss.

Reflecting back to the Austrian figures in Table N it should be noted that these fail to square the circle of equalising labour demand and labour supply. Contracting the economy further to bring it in line with labour supply is likely to mean that in very broad terms all long term productivity gains will just about maintain GDP at year 2000 levels.

The Maastricht terms and the Growth and Stability Pact theoretically prevent excessive government borrowing to pay for increased pension and health-care expenses.

Let us assume that governments decide to keep the ratio of debt/GDP constant by a massive increase in taxation. This avoids discussing the so called pension 'black hole' whereby calculations of unfunded pension liabilities as estimated by the OECD show these at 135% of GDP for Germany 100% for France and 110% for Italy and only 20% for the UK. These figures are applicable to the year 2000 when the pensioner population is still low and do not take into account even then any provision for those not yet of pensionable age.

The IMF has said: 'Countries like Japan, Germany and France face contribution gaps of nearly 3.5% GDP a year. To avoid a further build up of pension debt over the next fifty five years, these countries need either to permanently increase social security tax contributions by roughly 3.5% GDP or scale back benefits by a similar amount or implement a combination of tax increases and payment reductions of this magnitude.' It should be noted that these figures do not include the extra costs of health care which would bring the extra taxes required to about 5% GDP adding about 20% to the tax payers bill in mainland EU in round terms.

Dealing in these very round figures, should governments try to borrow these enormous sums they should be stopped by the Growth and Stability Pact which restricts deficits to 3% GDP. However, this may not be enforced.

It has been pointed out by Business for Sterling and the European Research Group that heavy borrowing by one EU country spreads the cost to other EU countries by raising yields on Euro denominated bonds. Although it is difficult to forecast when an EU state could fall into bankruptcy it would take about 18 years for Italian public debt to rise to the level of some 230% GDP which was reached in Britain in 1945 if the Italian government decided to borrow to pay for increased pensions and healthcare. At some point after 2020 Italian debt would become unmarketable.

If governments close the budget gap by tax rises this would not only be extremely painful but it also will have a very strong deflationary impact, further reducing the value of EU countries as markets which would already have declined due to the fall in populations.

## **THE IMMIGRATION CRISIS**

UN population forecasts which are the basis of the statistics used in this study assume very little migration. As stated, they are therefore on a different basis from statistics used by Britain's Office for National Statistics which provide for an annual immigration rate of 95,000 people.

Plainly, one of the means by which European countries can increase their population and workforces is by allowing in more immigrants as advocated by the Governor of the Bank of Italy.

Gerhard Schröder, the German Chancellor, has recently proposed to allow immigration into Germany of up to 20,000 Indian computer scientists.

Jean-Pierre Chevènement, French Interior Minister, was reported in the *Sunday Telegraph* of July 30th 2000 to have sponsored an EU discussion paper calling for the EU to admit up to 75 million immigrants during the next 50 years. His thinking was based on the UN document of May 2000: "Public opinion must be told clearly that Europe, a land of immigration, will become a *mestizo* area".

Certainly if European populations will not reproduce themselves they must reconcile themselves to economic and political decline or face up to massive immigration with all the political problems that will bring. But we must be clear that the immigration will be truly massive requiring the replacement of more than 40% of the workforce in the most economically advanced and demographically challenged regions. For example, the non white population of the UK grew from nil to 5.5% of the total population between 1950 and 1990. To maintain workforces in Italy and Germany, we are talking about immigration rates around five times higher over 50 years.

Where are these immigrants to come from? Eastern Europe will itself be facing the same demographic crisis as the EU countries. If these countries join the EU they will wish to build themselves up, not to have the cream of their rapidly reducing population enticed away to Western Europe.

The Muslim states of the southern and eastern Mediterranean certainly have the people but their level of skill is low and European demand for unskilled labour remains weak.

It is difficult to forecast how this will turn out. Will the European states finally acknowledge their economies are in decline and export industries to North Africa and West Asia? Will they accept truly massive immigration from different cultures which could spread out of control?

## CONCLUSION

Demographic changes are like steam rollers. They start slowly but, having gathered momentum, they take a lot of stopping and a lot of time to reverse. The main population implosion in Europe will not occur until after 2020 and it is therefore likely that demographic changes will be ignored by politicians and the EU governing class.

The appetite and will to promote pronatalist policies appears noticeably absent. Indeed, political focus is still on issues driving down the birth rate such as women's education and working rights, increased abortion rights and easier divorce. The political effort to reverse this is beyond the scope of this study.

Demographic decline can, indeed, induce a deep spiritual malaise in society, summed up by Yayoi Ezaki, quoted in *The Guardian* 'And it doesn't help to be told we should have more children to look after the country's ageing population. The more I hear that, the less I want another child. They are going to have such a tough life when they are older.'

Finally, the world does not stop in 2050. The downward ratchet exerted by insufficient fertility will drive down populations and wealth for our grandchildren and great grandchildren until fertility rates exceed replacement level and do this for at least 20 or 30 years. This day looks very far away.

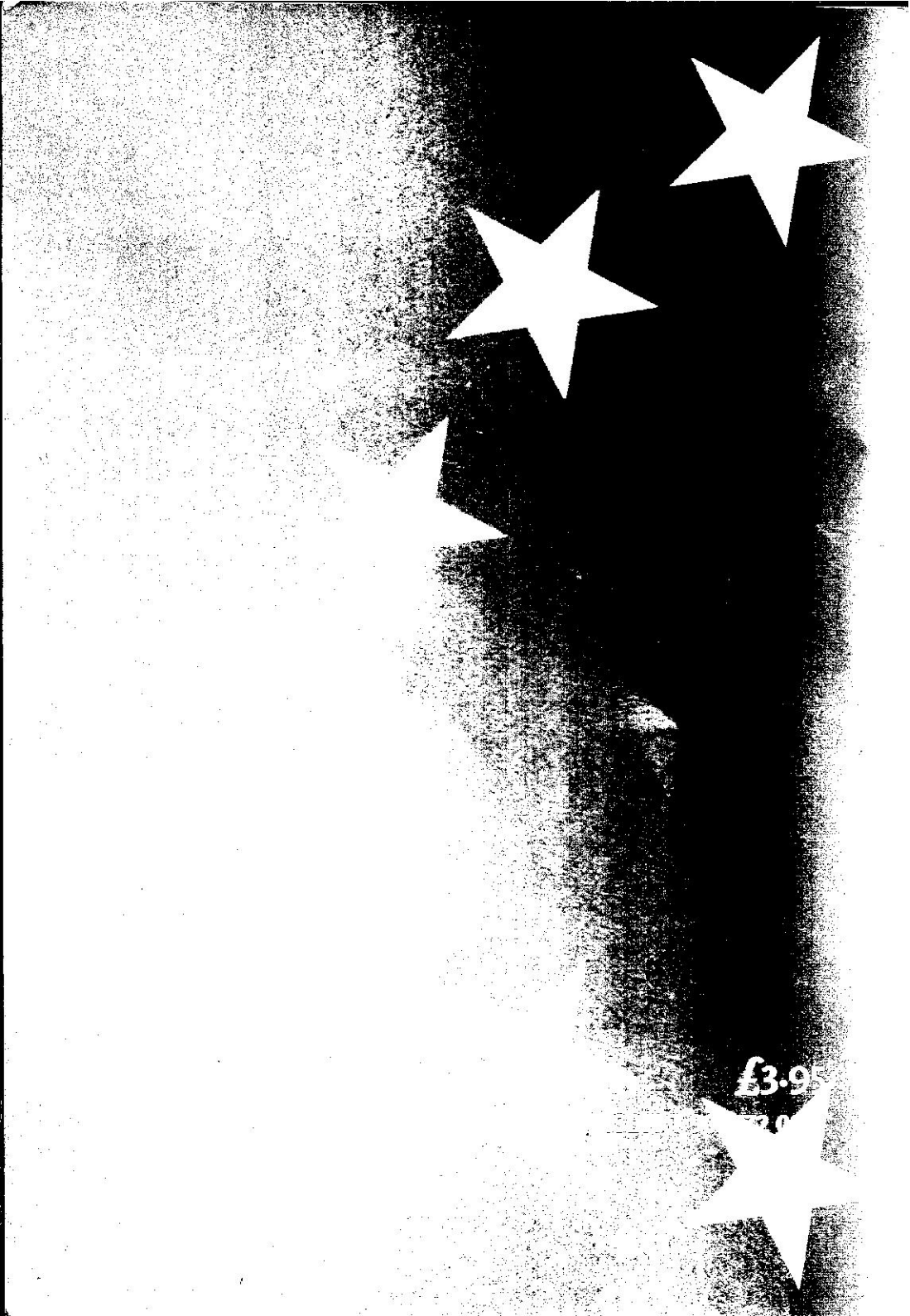
What is clear is that, due to a combination of the very long period over which fertility has declined and life span increased in Britain, as well as a relatively high although insufficient birth rate, Britain will be less affected than the rest of the EU.

The rest of the EU and the Eastern European applicant states face a dire future.

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# THE DEATH OF EUROPE

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