



Europe's Coming
Demographic Challenge:
Unlocking the Value of Health

Nicholas Eberstadt

2 October 2007

Europe's Coming Demographic Challenge: Unlocking the Value of Health

About the Speaker

Nicholas Eberstadt holds the Henry Wendt Chair in Political Economy at the American Enterprise Institute and is Senior Adviser to the National Bureau of Asian Research.

EDITOR'S NOTE:

The PowerPoint presentation accompanying this transcript can be found here:

http://www.cne.org/pub_pdf/20071002_Eberstadt_ageing.ppt

Stephen Pollard

Welcome to the latest of our Centre for the New Europe healthcare lunches.

For those of you who have not been before, the format is very straightforward and very simple. We will have a presentation from our guest speaker, and then we will open it up to questions and discussion.

You do not really want to hear from me. You want to hear from Nick Eberstadt. We are delighted to welcome him today. We have been very privileged: we had an event with him last night, and we have got him again, this lunchtime, on a completely different topic, and a topic, one would assume, of immense interest to people in this audience: healthy ageing, and how we can unlock the value of Europe's demographic change. Dr. Eberstadt is one of the leading demographers in the world, an expert on this and many other issues. As I say, you do not really want to hear from me, so I will hand over straight away to Nick Eberstadt.

Thank you very much.

Nicholas Eberstadt

Stephen, thank you very much. I would like to thank my friends from the Centre for the New Europe, and thank you all for coming today.

What I am going to do, this afternoon, is share, so to speak, some homework of mine with you. This past spring, in Foreign Affairs Magazine, I co-authored an article on healthy ageing in Europe with my colleague, Dr. Hans Groth, a German citizen who

lives in Switzerland. We now have a short monograph that will be appearing, in a month or so, by this title. And this is, as I say, sort of a preview of our homework.

As an American, I know that across the Atlantic, I hear a lot of anxiety from my European friends about demographic problems in Europe. Mostly, I hear bad news and worries about the future, about sub-replacement fertility, population stagnation, immigration problems, the prospect of long-term demographic decline in Europe. I do not want to minimize those problems today. But, I want to suggest to you that this is only one side of the ledger for Europe's demographic future.

Europe also has a tremendous demographic opportunity that it could capitalize upon over the next generation, one that could have a great bearing upon prosperity and growth for the European region, and one that could make a great deal of difference for Europe's competitiveness in the world economy. This opportunity that I am going to describe to you comes with the blessing of Europe's healthy ageing – the healthy ageing of the older populations in Europe today. If Europeans can capitalize upon the economic potential inherent in this blessing of healthy ageing, all sorts of limits on European economic productivity will be changed for the better, in the decades ahead.

Now, let me try to show you, briefly, what I mean by this. In the spirit of one picture being worth one thousand words, I want to show you a graphic of what the population structure of the United States and what the population structure of Western Europe look like today.

EDITOR'S NOTE:

Slideshow available at: http://www.cne.org/pub_pdf/20071002_Eberstadt_ageing.ppt

By Western Europe, I mean the EU 15 plus Switzerland, plus Iceland, plus Norway – I guess, an arbitrary but not unreasonable historical definition of a kind of “never-communist Europe”. This blue contour in here is what the population structure of the United States looks like today. The red would be the population structure of Western Europe. You can see there are about the same number of little children, many more Europeans in their late thirties and early 40s, and of course, many more Europeans over the age of 80.

Keep in mind; remember what these two structures look like, more or less, today. And I am going to show you the projections for Europe and the United States in the year 2030, about a generation from now. The projections I am going to show you come from the United States Census Bureau. But, if I had used Eurostat or UN Population Division, they would not be very different. Demographers in different institutions around the world have a fairly similar picture of what may be coming.

This is the face, the prospective face of Europe and the United States in 2030, about 23 years from now. And remember, the great majority of people who will be

inhabiting this world are already alive today, in our two regions. So, there is less uncertainty about these projections than might be thought. So, as you can see, at every age grouping under 30 years of age, there stand to be more Americans than Europeans. At these older ages, in the 60s and 50s, there stand to be many more Europeans than Americans. Of course, at ages 80 and above, Europe has, if you wish to call it that, a tremendous advantage against the United States, having many, many more octogenarians, and nonagenarians, and centenarians than we believe will be alive in the United States, at this time.

What you see in this graphic is an instantiation of Europe's prospective rapid population ageing, of its stark patterns of population ageing, that is coming into play. The United States is going to experience much less population ageing over the next decades, due to a higher birth rate and also fairly high immigration rates, at least up until now. What has already been discussed, I think, quite widely in Europe is the implication of this pensioner burden on what will be a shrinking working age population. This aspect, I know, has been widely discussed already. But, in a sense, the situation is even more acute than the dependence ratios would suggest, because there is a dramatic shift in the composition of the working age populations in Europe that is already underway.

Look here. This is the group of people 15 to 24. This group is going to be much smaller than people who are in their late 50s. Historically, it is people in that very young group who have brought in the newest training, the newest technical attainment, and the newest knowledge to the workforce. And when one has a population structure like this, with young people coming in, as an arithmetic matter, it becomes quite easy to improve the level of technical attainment for a population. When the pyramid is like this, if you are relying upon traditional, educational structures, it is much harder.

There is another aspect that I will bring to your attention. This group here, the people from age 30 to age 44, that group is going to be shrinking, also, in Europe. Why is this group important? I will try to show you. Some work by an American economist named Benjamin Jones has recently tried to outline the ages over the past century at which people in Europe, North America, Japan, elsewhere have won the Nobel Prize for their work in medicine, biology, physics, chemistry, economics, or the ages at which people did the work for which they were awarded major internationally recognized patents. There is quite a regular distribution over the past century to the ages at which this sort of innovation occurred. And you will see that the great bulk of recognized breakthroughs and achievements occurred for people who were between the ages of 30 and 45. I am 51. So, I am over the hill on this. My achievements are all gone. But, it is an important thing to recognize. This category of people from 30 to 45 bring not only Nobel Prize winning breakthroughs, at the pinnacle, but all sorts of other, less heralded contributions to the ordinary workplace. And to some degree, in a virtual world, we can rely upon people in this key demographic area, from other countries, but they cannot be entirely replaced by the Internet. There is an indispensable necessity for innovation and creativity in the workplace, itself.

So, for all of those reasons, there are some unfavourable trends on the horizon. There has been a discussion, in Europe, about the possibility of changing the demographic parameters under which Europe operates, either through pro-natalist policies to raise birth rates, or maybe through immigration policies, to change the flow of people into the continent. My own argument and the argument of my colleague Hans Groth, is that there really is not that much scope for changing the realm of the possible through alterations of fertility, or through alterations of immigration for Europe.

Why do we argue this? We could discuss this much more, after I make my presentation, if this is a question of interest. But, to oversimplify slightly, pro-natalist policies have been, historically, an expensive failure, almost everywhere they have been attempted. And there are reasons that pro-natalist policies have failed. Most of those reasons, I believe, have to do with the fact that it is parents rather than politicians who determine how many children parents actually wish to have. And it gets to be a very expensive proposition to attempt, as a practical matter, to bribe parents, over the long run, into having more children than they would actually prefer to have, themselves. So, I think there is very little scope for altering fertility, or raising fertility, in Western Europe, although, of course, I would be happy to discuss that.

As for the question of immigration, there is a big argument underway, today, in different parts of Europe, about the future of immigration to European societies. But, there would be obvious problems with either decreasing the net flow of immigrants into Europe, today, or substantially increasing the net flow of immigrants into Europe, today. The problem with decreasing the flow, I think, is self-evident. In a very few years, Europe will become a net-mortality region, which is to say that death rates will very soon be higher than birth rates for Europe, as a whole. Without immigration, population decline will be hastened. Immigration, itself, postpones the onset of population decline. It increases the size of the workforce. It makes Europe more youthful than it would otherwise be. And those factors, to some degree, help Europe's prosperity and productivity.

The reason that increased immigration may be a problem, not to put too fine a point on it, has to do with the limited success in different parts of Europe of assimilating newcomers, of turning newcomers into loyal and productive Europeans. And my own perspective is that the assimilation process has been more successful than many on both sides of the Atlantic recognize, but there have been some very big problems, as well. No general formula exists by which Europeans can be confident that newcomers will automatically become loyal and productive, new European citizens.

There is, in addition, a possible negative synergy. And we saw a little bit of that possible negative synergy in the Netherlands after that horrific murder of Theo Van Gogh. The year after Van Gogh's murder, the Netherlands registered a net emigration of native-born Hollanders, of native-born Dutch. There was a net emigration out of the country. If we had better data on this – and most European countries have very poor data on the emigration of natives, being under the

impression that the era of migration out was supposed to have ended earlier, in the 20th century. If we had better data on this, I believe we would be able to demonstrate that those who migrated out from Holland were younger and better educated than the population, as a whole. There is a possibility that increased net immigration into Europe may result in increased net emigration out of Europe of European-born natives, and more so, of younger, well-educated, European-born natives, exactly the sorts of people that Europe should want to keep, for productive reasons.

So, if I am correct about that, there will not be so much scope for changing Europe's demographic parameters, either through increases in the birth rate, or through alterations of migration policy. But, there is one great area, largely unexplored, in which I think Europe has tremendous scope for making new, demographically based productivity contributions. And this is in capitalizing upon the value of what we might call healthy ageing.

Around the world today, there is a fairly consistent and robust correspondence between health and wealth, between health potential and economic potential. You can see it in this awful graphic, here, which shows life expectancy by comparison to per-capita GDP, for a recent year. We could use any recent year, but they look about the same. If we look at these correspondences, we see that, internationally, one additional year of life expectancy, in a national population, corresponds with about a seven percent per-capita increase in GDP. Now, this is terribly simplistic. The relationship between health and wealth is interactive, very complex, and very subtle. But, that relationship does exist. And this relationship can be seen not only across countries, but also practically in all countries over historical time. So, it is a strong relationship, and it is a commonsensical one: healthier people have more productive capabilities.

The good news for Europe is that Europe's populations are enjoying a historically unprecedented measure of good health. No matter what metric one cares to use: life expectancy, health-adjusted life expectancy, burden of disease – any measure that one cares to use will show that Europeans are at a historically unprecedented pinnacle of health.

And again, not to put too fine a point on it, but for Western Europe as a whole, the levels of health are superior, by and large, to the levels of health in my country today, in the United States. This particular measure that we use, here, is for so-called healthy life expectancy, a concept developed and pursued at the World Health Organization. The red country is the United States; the blue societies are Western European. Most Western European societies have several years of additional health expectancy on top of the United States. Only Portugal is comparable with the United States, today, in these calculations.

Let me put this another way: What we have here are the odds of not living to age 65, from age 20 to age 65, on current survival schedules, for men. If one compares the United States against the rest of Western Europe, you will see that the odds for a

young man of dying before the age of 65 are significantly higher than in Europe. Now, that is a humanitarian tragedy for people in my country. But, it also has economic implications, because if life is foreshortened, the cost / benefit calculus of investing in training, of investing in education, shifts in an unfavourable way. If only 82 percent, instead of say 90 percent of the young men can expect to live to be 65 years old, that is going to make it more difficult to justify investment in higher education. It is going to favour human capital investment in Western Europe. So, that is another inherent advantage that Western European societies have, with respect to healthy ageing.

My argument is this – and I can show you by using economic examples of life cycle earnings: There is an economist in the United States named Ronald Lee, who has done some very exacting work, trying to estimate how much people earn at different ages. This is the earnings chart for people in the year 2000, in the United States. You will see that people do not earn much of anything before they are 15 years old. It goes up, it peaks, and then after about age 60, it goes down very sharply. This green line is how much people spend, at different ages, in private consumption. The red line is total expenditures, which include private consumption, and this gap here, which is government consumption for people. You will see, there is a big bump here, which is education. And of course, over on the other side, there is a growing gap, between private and public, which is medical services, for the most part. The period, in the United States, in which the populations' earnings exceed total spending, is relatively short. It is relatively brief – about 30, maybe a little more than 30 years.

Our argument is that societies in Europe could significantly gain, if this period of earnings were extended like that, so that this additional, so to speak, surplus would be available for societies. That surplus could be turned either into additional consumption, which would mean higher living standards. Or, it could be turned into additional investment, which could make for faster growth in the future. Or it could be used for some of each. That is the crux of the question: Europe's demographic advantages, its demographic opportunities would come from extending this earnings horizon, through the blessing of healthy ageing.

But, what is actually happening is rather different from this desideratum, which I described. I am not trying to pick on France, here. It is just so easy to pick a French graphic to illustrate this. The situation is similar in all Western European countries, but a bit more acute in France than in some of the others. Whereas life expectancy for men has risen by almost a decade, since the early 1960s, the average age of retirement has dropped by not quite a decade, but by about 7 or 8 years. In effect, all of the health bonus that Europe has enjoyed over the past four decades has been translated into retirement, and then some in addition to that.

Let me show you what I mean. This graphic here shows the expected years of retirement, for men, in different OECD societies. These are some non-European OECD societies. These are mainly European OECD societies. You see that the choices – this is the United States, Japan, South Korea – you see the very much higher

levels of expected life and retirement are characteristic today in Europe than in affluent, non-European OECD countries, for men. And the same is true for women.

The reason for this, as a purely arithmetic matter, the reason for this is the effective retirement age is, generally, much lower in OECD Europe than in the affluent countries outside of Europe. Iceland is a fascinating exception – two hundred, three hundred thousand people. Switzerland is a bit of an interesting exception. But, when one takes a look, for example, at Belgium, where we are today, the average age of retirement for, I believe, for men, now, is under 59 years, as compared, for example, with the United States, where it is about 65, or with Japan, where it is fully ten years higher than in Belgium. And the same general pattern is apparent for women, as well.

What has happened, the reason for this dropping average age of retirement is that there has been a dramatic shift of people in their 50s and 60s, out of officially paid labour, in Europe. Here again, we can see this, with some recent labour force participation data. For the major continental European economies, and for the United States of America, Japan, and South Korea, affluent, non-European economies.

For people in their late 50s, there is, at the moment, a 30 percentage point gap in labour force participation rates between the United States and Italy. I realize that not everybody who was formally not working in Italy may truly not be working. But, unofficial work does not explain that entire 30-point gap. Similarly, if one looks at the difference between, say Japan and, say France, for people in their early 60s, there is a 35 percentage point gap in official labour force participation. It is not that the rates are immensely high, per se, for people in the United States in their late 60s or early 70s. Only 1 person in 6 in their early 70s in the United States chooses to be in the paid workforce.

But, cumulatively, this makes for a great difference in manpower availability for Western Europe. And this retreat from the labour force after age 55 is especially unfortunate for Europe today, because over the next generation, the only cohorts that are likely to be growing, of working age in Europe, are these ones here, people over 50 years of age. Those are the only cohorts in which Europe will see actual growth of numbers. There will be fewer people in their 20s, fewer people in their 30s, fewer people in their 40s. The only cohorts in which there are going to be growth are these older groups.

Europe's older prospective workers are the healthiest 50-somethings and the healthiest 60-somethings that the continent has ever seen. They are the most robust. They are also the best-educated 50-somethings and 60-somethings that Europe has ever seen. It is a striking paradox that they are also less likely to be working than any 50-somethings or 60-somethings that Europe has ever seen.

And I think a challenge for Europe's future turns on the question of whether European societies wish to make it less difficult for people in their 50s and 60s to

continue seeking productive economic activity. At the moment, there are tremendous disincentives throughout Europe for people my age and older to continue in the workforce. One of the most obvious disincentives has to do with the nature of pension policies. And I am sure you all know this very much better than I do. I just read about this on the Internet. The OECD in Paris has done a great deal of, I think, path-breaking work here. I have stolen one of their graphics to try to illustrate the problem.

What the OECD calls implicit taxes, implicit pension taxes, on work for older workers, which actually means the tax break, the pension tax break that workers must pay, coupled with the fact, in many cases, that working an additional year does not add to one's benefit package when one retires, at the end of the day. The OECD tries to calculate the implicit tax that is implied by those sorts of arrangements, and finds that those taxes range from very low implicit taxes of about 10 percent for Iceland to an incredible 80-plus percent for Luxembourg. And, not surprisingly, in general, the higher the implicit tax through the pension structure on work, the lower the likelihood will be that workers who are in the workforce in their early 50s will remain in the workforce in their later 50s. The same thing is true, by the way, in looking at the progression between people in their late 50s and their early 60s, or between their early 60s and their late 60s, and so forth. That is one obvious aspect.

There are three broader areas in which it seems to me a fruitful discussion might be pursued. I am an American, and I am certainly not going to recommend domestic policies for Europe to domestic Europeans. But, I can see three different areas in which a European discussion might continue. The first has to do with the workings of labour markets with the segmentations and barriers to entry in labour markets. In different parts of Europe, I detect a sort of a zero-sum thinking, in which people seem to be under the impression that God has created a given, fixed number of jobs. And if one person takes this job, it means that somebody else cannot get that job. This sort of zero-sum thinking, of course, is particularly hard on older workers, since, by that sort of approach, one would conclude that a job for an older person means taking a slot from a person just at the beginning of their working career. In reality, of course, labour markets do not work like that, when they are working competitively and efficiently. A dynamic, productive labour market creates prosperity, and creates more demand, and creates more demand for, among other things, additional jobs.

What we have seen in Europe over the past generation or so – and this is work by Alberto Alesina and his colleagues – is a decline in overall working in continental Europe that cannot entirely be explained by tastes or preferences. It seems to have to do at least as much with barriers to movement, barriers to entry, and rigidity. At least Alesina and his colleagues make some persuasive arguments there. So, a more competitive set of labour force arrangements could make for more demand for work for everybody, more opportunity for older people, and for younger people, as well.

If we think of the current situation, so to speak, as being a phenomenon of the “under-worked European”, there is a complementary aspect here, which has to do with educational policy. And [referring to slide] you probably cannot read all the

tiny numbers on here; you do not need to try. What my colleague and I uncovered in doing our homework for this book was that the phenomenon of the under-worked European had its counterpart in the under-educated European. If one looks at not just the educational qualifications – the formal educational qualifications of the workforce in Europe – compared to the United States, but if one looks at the educational qualifications of Europeans who came to the United States, by comparison to those in Europe, itself, there is a huge gap. There is a huge gap. And I do not think that it is an accident that the phenomenon of under-education and under-working can be seen in the same settings. Workforce life reinforces educational lessons and improves the returns to education. There is a positive, powerful synergy that could be developed between more work and more education. And greater investment in education could make lifetime learning more than a slogan.

And, then, finally – I am talking a little bit longer than I had intended – finally, there is also the question of healthcare policy. And this very clearly relates to the future for older prospective workers. I come from the United States, and we have got kind of a crazy quilt, expensive, slightly insane healthcare system, which I am not going to recommend to you today. But, what I would recommend is rethinking in both my country, and in Europe, of the purposes that healthcare policy is supposed to achieve. Naturally, because of the increased allocations for healthcare, there is great anxiety in affluent countries about being able to finance and afford healthcare. And correspondingly, there is an administrative or bureaucratic attention to trying to minimize expenditures or costs, to keep global budgets and healthcare allocations.

I think that is exactly the wrong way to look at healthcare. If healthcare is achieving its purposes, healthcare and health services, and medical services will be reducing the economic costs, the economic burden of disability and death for societies. And healthcare policy, if understood in this way, is actually an approach that will help to accelerate economic development, rather than to slow growth.

This is not to argue in favour of any particular medicine, or any particular investment. You can only do those sorts of things on a case-by-case basis. And they have to be subject to the same sorts of criteria that all sorts of other investment projects should be subjected to.

But, my point, I suppose, would be that we in the United States, that we in Europe are not alarmed when we hear that the investment ratio in society, the physical capital investment ratio, has grown from 10 percent in 1900 to 20 percent today. We do not view that as a cause for alarm because we understand that physical capital contributes to economic growth. Or it can. In the same sort of way, I do not think that we should be alarmed, *per se*, at rising health costs. We may even be able to have a more effective and economic approach to health and to life if we view the objective of health policy as minimizing the cost of disease and of illness.

All this being said, what I hope I am showing you is that there are opportunities for the future that can be capitalized upon in Europe. And of course, the choice of

whether to capitalize upon these or how to capitalize upon them belongs to Europeans themselves.

Thank you for your patience in listening to me, and I will be happy to discuss anything that you would like to.

[Applause]

Q & A

Question

I'm from the European Parliament and also one of the Co-Chairs of the Inter-Group on Ageing *[inaudible]*. Congratulations for all of that.

My first question is: What will you be doing with this information, other than putting it on the web, or whatever? Do you plan to, proactively, make it available to governments, for example, or just sort of have it available for people to look at, because I think it is great information that I would love you to really try and inject into the political debate. That is the first question.

The second question: Although, quite reasonably, generally, you talk about Europe as a whole, although occasionally you have individual countries... and there is a lot of difference between individual Member States... This is not a criticism. This is just an observation. My second question is: Is there any evidence, at the moment, that any individual European Union Member State is actually listening to this sort of information and showing signs of trying to develop policies to address the opportunities you so well described?

Nicholas Eberstadt

Thank you very much for those questions. This homework is going to be published as a small monograph by my institute in Washington, by American Enterprise Institute Press. In the nature of the virtual world, it will be free and downloadable by anybody who has the misfortune to type in the URL for the monograph. I do not have plans to canvas European countries, but of course, there is nothing that warms a research nerd's heart more than having policy people listen to arguments. So, I

think that my co-author and I would be delighted to be of any assistance we could in disseminating some of this work.

With respect to Europe, and pensions, retirement, healthy ageing, I think that there is a bit of a laboratory that one can see, as you indicate, among different states in Europe, in terms of somewhat competitive policies, or somewhat different policies. I think that what one sees, to date, is that the greatest experimenters in Western Europe have been the ones who are outside of the European Union, in particular, Iceland. Of course, Iceland is a tiny population, so I do not know how generalisable one would say Iceland would be. But, also Switzerland – Switzerland has, I think, experimented a little bit more with working at older ages, and trying to support work at older ages. Within the European Union, my perception is that Ireland is one of the societies, one of the economies that has attempted to go a little bit further with the discussion about healthy ageing. But, that is only my perception. And I have not talked with counterparts in Ireland about this. This is just as an Internet reader in a bunker in my home in Washington D.C.

Question

[inaudible] ...that was the reason. And it was very easy to put people away, instead of encouraging enterprises to keep people hiring at an older age, or keep them in their jobs. And that was still a policy. [inaudible] ...shortage of people, and over-employment, almost. I am just curious what the result will be.

Nicholas Eberstadt

Thank you for your question and comment. It surely seems to be the case, as you indicate, that there is a sort of combination of a negative interaction between low levels of education for certain parts of the workforce, and a disposition towards early retirement. And this may very well bear upon the over-employment, or fear of over-employment that you mentioned.

To some degree, we have the opportunity, now, to start training the rising generations so that they will be able to have the skills and the disposition towards continuing to learn that will encourage lifetime learning and longer work life. But even for those people who are well through education, who have been in the workforce for many decades, there is probably more scope today for continuing to work than we see through these dropping levels. I am quite persuaded by the arguments of Alesina and his colleagues that the divergence in work patterns between the United States and Western Europe cannot be explained solely in cultural terms: that Americans are “work rats” and that Europeans like the *dolce vita*. There may be some of that, but the divergence has been so great as to suggest that there are structural questions, as well, that are accounting for a significant part of this divergence. And if it is possible to reduce what we might call the barriers to entry, or the barriers to continuing to work, the structural barriers, in different European

settings, then even for these potential workers with lower educational qualifications, the possibility of continuing will likely be there.

Question

In this graph, the government expenditure during the life cycle, I was just wondering, aren't you, or isn't this graph discounting completely the various initiatives, which are potentially reducing this gap, thinking of the various schemes for pension privatization, which are going on, and also health savings accounts? Sadly, the administration seems to have abandoned all those plans. Although, there are serious indications that the so-called social security surplus, which does not exist, except in accounts and ledgers, is not going to, you know, help anything, and is actually going to switch into a deficit very soon. So, that was my first question.

Second, if I got your point, you do not seem to see any benefit to increasing immigration into Europe and the United States? Is that correct?

Nicholas Eberstadt

Thank you. I am trying, here, just to use the work of Professor Ronald Lee almost as a humoristic sort of illustration of his particular calculations, here, for the United States. I would have used a European economy, but that is still a work in progress for his group. He promises me that he will have these same charts for Sweden and for France, sometime. But, I thought that we could see the general argument by looking at the United States, in the year 2000. I did not talk about the possibilities of savings and improvements from healthcare reform or from pension reform in the United States because I thought that that would be a distraction from making the more general point about opportunities inherent in extending work life with healthy ageing.

From my own personal perspective, the fate of social security reform – to say nothing of healthcare reform – in the United States in the past few years has been a very sad one, and one which I think the taxpayers will regret, in the years ahead. But, that takes us to my continent, and not to yours.

As far as immigration is concerned, I was not trying to make an anti-immigration argument. I hope I was saying that it seemed to me the parameters are rather narrow, for Europe. With less immigration, the pressures of population ageing are intensified. With more immigration, the questions of assimilation come to the fore. And in the United States, I think we have a somewhat different situation, for historical reasons, simply because the United States is an immigrant-based society, which per force, has a rather ruthless and, on balance, a fairly successful set of formulas for assimilating newcomers. But, that is because the United States is not a nation state.

Question

How do you explain the relatively good position of Portugal in your chart?

Nicholas Eberstadt

My guess – and I have to say this is a guess – is that because Portugal has been a rather low-income society, in Europe... my guess is that for reasons of exigency, people in Portugal may still be working at older ages. My guess would be that if Portugal's income level were higher, Portugal would graduate in this direction, under current European circumstances. But it is only a guess.

Question

I am a physician. Interesting perspective of Europe, as a culture of overprotection. For instance, *[inaudible]* in Belgium, we had a lot of money for healthcare. And it was only when a politician faced a debt, a problem of competition for enterprise, they began to look at cost. Freedom, freedom of choice to build hospitals, to have healthcare insurance, and to choose the age of pension and retirement.

Nicholas Eberstadt

Thank you. Certainly when I was alluding to barriers, barriers against entry, that is part of the barrier to prevent competition. That is one of a number of structural phenomena in the labour force, and in markets, and in other areas, in Europe, that prevent competition. In particular, with regard to the labour force, known competitive relationships in the labour force make it terrifying for employers to consider hiring older people, because with non-competitive structures, taking on an older person is taking on a profit-killer. If one has a more flexible and competitive set of arrangements in the labour force, people will be paid much more in line with their productivity. Then the idea of hiring new workers, considering additional employees, does not become such a defensive strategy for investors and for employers. Of course, that is only one small part of the greater question that you raise, overprotection, but I think that it is a very important part of it.

Stephen Pollard

I would like to end with competition and choice at this Centre for the New Europe event. I would like to thank you all for coming to this. Most of all, of course, I would like to thank Nick for coming over especially to talk to us, both last night, and at this lunchtime. It is a hugely salutary amount of information for us to absorb, but what is particularly refreshing about your presentation, Nick, is that, normally, when we hear about demography in Europe, it is entirely doom and gloom. To have, contained within your information, the seeds of our own way out, I think is what is the most useful thing to learn.

– end –