
A demographic tailspin

Germany's asylum enthusiasts and friends of mass immigration claim that large numbers of migrants would revive the welfare state and mitigate over-ageing. Wrong. There is no gain to be had from poorly educated foreigners, only a loss of prosperity. By Herwig Birg

The use of the term 'demographic policy' is coming under close scrutiny in Germany, and rightly so. It is all the more surprising when, as is lately the case, approval is expressed for 'demographic policy' by means of immigration. The same people oppose promoting a higher birth rate, arguing paradoxically that this is a matter of 'demographic policy'.

The Chambers of Industry and Commerce are calling for education to be provided to refugees and asylum seekers, so that they can integrate into the labour market rather than being forced by law to do nothing. One can hardly argue with that. It is equally obvious that refugees in need of help cannot be abandoned to their fate. It is another question, however, whether in the long run Germany can maintain the demographic basis of its prosperity by systematically compensating for a shortage of homegrown youth with the immigration of young people from abroad, while firmly opposing the promotion of a higher birth rate in the name of 'demographic policy'.

In his opening speech to the 2005 annual conference of the Presidential Forum on Demographic Change, the former German President Horst Köhler wondered out loud whether '... the much-maligned demographic problems [were] not problems at all, but rather solutions to other problems.' By way of example, he suggested that a shrinking population in Germany was one way to compensate for the rapid growth in the population of the world.

Incompetence of political leaders

One may assume that the President had been made aware that Germany only accounted for about one per cent of the world's population and that this figure was declining further. Given this tiny fraction, not even the total disappearance of the German population would stop the global population from growing, as it was

growing by the population of Germany each year. So why did the President, who took advice at the conference from the Bertelsmann Foundation, make this inappropriate suggestion nevertheless? A vanishing German populace would only interrupt the annual rise in the world's population for a few months, after which it would continue unabated. It is likely that no other president and no other foundation in the world would seriously contemplate a decline in their own country's population as a means to combat global population growth.

Another example of the incompetence of our political leaders is the fact that many local governments view refugees and asylum seekers as their last hope of rescue from their own long-term wasting-away. The idea is simply intolerable that the existence of a town should depend on people in need streaming into Germany from a sufficient number of crisis zones elsewhere. In any case, immigrants to Germany themselves have too low a birth rate, so the immigrant population itself would shrink without a constant flow of further immigration.

Immigration does not prevent ageing

As individuals, people live on through their children. The question is whether this is also true of populations, or whether the survival of a society can also be assured through immigration rather than homegrown youth. One thing is clear: older people are becoming more numerous, while the numbers of the young are going down. Notwithstanding the fact that the numbers of older people will decline after around 2045, meaning that the retirement homes being founded today will have to be closed again, the fall in births will continue undiminished, as the parents who might have halted the downward trend by raising the birth rate have not been born. At present, the decline is being temporarily interrupted as the grandchildren of the large birth

cohorts of the 1960s are born, but the shrinkage of the birth rate will resume after 2020 at a faster rate.

Immigration cannot halt the ageing of our society, because ageing is primarily due to the declining numbers of young people and only to a small extent to rising life expectancy. Ten years ago, the United Nations Population Division calculated that a net total of three-and-a-half million younger people would have to migrate to Germany each year (and likewise for other countries) in order to bring ageing to a halt.

Fundamental constitutional principle breached

Politicians who present the demographic problem as an 'opportunity' or 'solution' for other problems and come out in favour of immigration instead of promoting families with children are not only leading the country up a blind alley with their eyes wide open, they are also ensuring that the demographic problem remains unsolved, as by speaking up for immigration they distract attention from its main cause: our statutory pension, health and care insurance system rewards childlessness and punishes families with children. It thereby breaches the highest constitutional principle of every democracy – equality of all before the law – as the rulings of the Federal Constitutional Court, ignored by the political world, have made clear.

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Immigration does allow some consequences of the demographic problem, such as labour shortages in certain occupations, to be combated, but this does not change the unconstitutionality of the social security system one bit. On the contrary, immigration causes further

injustices in the migrants' countries of origin, as parents go empty-handed if their children pay social contributions and taxes in Germany that they urgently need for their own pensions and care. Compensatory migration thus undermines the political cohesion of the countries of the European Union.

All people have equal rights and duties. The following reflection shows that privileges for the childless violate this fundamental constitutional principle. If half the members of a society have children and the other half do not, one half of the population will have to be supported by the children of the other half in retirement, in ill health and when they need care, even if, unlike here in Germany, the birth rate is so high that on average every woman has two children, such that the population thus neither shrinks nor ages and no immigration is required.

In contrast to the example given above, it is not the case in Germany that half the population remains childless, but the national average is already about a quarter and the average for the largest group – non-immigrant women in the former West German federal states – is about a third. The number of childless people is rising with every annual cohort, so the example of 50% childlessness is by no means far-fetched. In Germany, unlike in the example, this is exacerbated by the fact that the birth rate of 1.4 live births per woman is well below the two-child level, with the result that the indigenous section of the population is shrinking while the section made up of immigrants and their descendants is getting larger, thanks to the constant flow of new immigrants and an excess of births over deaths. At present, 16.4 million people in Germany have an immigrant background.

If one weighs up the costs and benefits of immigration, for instance by examining its effect on public finances, the result may be positive or negative, depending on what items are looked at. The balance of payments by immigrants into and out of the pension and care insurance system is generally positive, on account of their younger age structure, especially when the figures are drawn up on a one-year basis. The opposite result may arise, however, if later years in which pensions are paid are also taken into

account. Although the age structure of immigrants is substantially lower now, the proportion of elderly immigrants (the ratio of people over 65 to those aged between 15 and 64) is increasing faster than for non-immigrants. The beneficial effect of the younger age structure will decline over time as the age structures converge.

Fairness between generations

Every cost-benefit calculation I know of leaves the most important question out. From a purely economic standpoint, is it better for an ageing society to close the birth gap by raising the birth rate to an average of two children per woman, as in the 1960s (Strategy A)? Or is it better from the economic standpoint to offset the shortfall of births through immigration (Strategy B)?

Strategy A is supported by the following mathematically provable reflection: If every generation pursues the same goal, namely to keep the ratio of the pensions and benefits they provide to their parents' generation and their children's generation in middle age to the benefits they receive from their children's generation in retirement as favourable as possible, i.e. to minimise it, this goal is best attained if the per-capita contributions of the parents' generation are equal to the per-capita contributions of the children's generation (=fairness between generations). In such a situation, each successive generation would be the same size, so that the population (excluding migration) remains constant. This means that the goal of fairness between generations will only be achieved if the goal of demographic stability is achieved too.

This mathematically provable result is encouraging, as it plainly supports the renewal of the population through births (Strategy A). At the same time, there is another argument to be made against the German practice of generational replenishment through immigration (Strategy B). If we assume that Germany aims to achieve a high per-capita gross national product, on the grounds that this guarantees a high level of consumption and thus also ensures that the necessary public funds are available to provide a good infrastructure. In such a case, it is always better to have a higher per-

capita GNP than a higher absolute GNP. Otherwise, people would emigrate from Switzerland to India and not vice versa. In other words: the more migrants come to Germany, the higher the absolute GNP will generally be, but the level and growth rate of per-capita income will be smaller.

Nonsensical ban on interpretation

This result is supported both by my own calculations and by a new study by Holger Bonin at the Zentrum für Europäische Wirtschaftsforschung GmbH (Centre for European Economic Research Ltd) in Mannheim, which was funded by the Bertelsmann Foundation and attracted considerable attention. The results of the study were as follows:

1. – On average, the per-capita 'financial contribution' of Germans, that is, the net amount of individually attributable payments to and receipts from the state, is higher than that for foreigners, at €4,000 as opposed to €3,300 (Bonin, p. 27).
2. – "If one adopts the forward-looking perspective of generational accounting, [...] the generational balance by annual cohort is positive for substantially fewer cohorts in the foreign population than in the German population. Under status-quo conditions, foreigners born in 2012 will receive on average around €44,100 more in transfers over the total life cycle than they will pay in tax and social security contributions. By contrast, Germans born in 2012 will make a clearly positive contribution to public finances. Over the course of their lives, they will pay on average €110,800 more in taxes and social security contributions than they will receive in individually attributable transfers (Bonin, p. 30).
3. – If the generational accounts are weighted according to the population structure in the initial year, then the per-capita financial contribution of the German population is €88,500, while that for the foreign population is €22,300 (Bonin, p. 32).
4. – A further calculation takes in average per-capita state spending on infrastructure and administrative services in addition to individually attributable payment flows. This too produces a gap in favour of the Germans: "Over the course of its

lifetime, every newborn child will generate a quite substantial deficit: the cohort deficit for children of foreigners is €196,000, while the deficit for Germans is less, namely €41,100. Following this principle, the same figures will also result for all future generations, in so far as their fiscal behaviour is the same as their parents' and the state does not in future cut back on general public expenditure." (Bonin, p. 36).

Surprisingly, the author of the Bertelsmann study imposes the following nonsensical ban on interpreting the results of his own research: "Above all, one must not infer from this that foreigners would represent a fiscal burden on Germans if a comprehensive assessment was made that took account of the lack of sustainability of current German fiscal policy." (Bonin, p. 38). The media dutifully followed this ban on interpretation, and so the refrain that "Germany profits from immigration" is now constantly heard. Yet proponents of this view are disproved by the very Bertelsmann study on which it is based.

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So who profits from whom – non-immigrants from immigrants, or vice versa? The Bertelsmann study calculations described above, like many other previous investigations, all show a clear gap: The contributions, incomes and tax payments of non-immigrants are higher than those of immigrants. The gap in transfers is in the same direction; otherwise it would be impossible to explain why the percentage of social aid recipients is around three times higher for immigrants than for non-immigrants. If a good student and a middling one did their homework together, no one would say that the better student profited from the mediocre one. No one except the Bertelsmann Foundation.

'The demographic opportunity'

Generally speaking, the result of any comparison depends on the basis of comparison selected, as two simple examples will show by way of conclusion. Example 1: Is Germany's economy better off with or without

immigration? Answer 1: Without immigration, we would probably have an economic reverse, due to a shortage of labour and lower demand, so we are better off with immigration than without it.

Example 2: Will Germany's economy be better off with immigration or with its own offspring instead of immigration? Answer 2: With our own offspring instead of immigration, we would have a better-qualified population (German students do relatively well by comparison in the international Pisa tests, whereas the children of migrants do badly) and productivity, per-capita income and growth would be higher than they would be with inward migration.

In my new book, I show that Germany's demographic dive is in the midst of turning into a tailspin (*The Ageing Republic and the Failure of Politics: a Demographic Forecast* (LITVerlag, Berlin 2015). If we still want to stop it, a fundamental rethink is required. Instead, the former Federal Minister for Education and Research, Annette Schwan, made "The demographic opportunity" the slogan for the 2013 Science Year. If one follows this reasoning, the carpet-bombing of German cities in the Second World War was not so much a disaster as an "opportunity" for reconstruction.

A nation's prosperity results from an intergenerational chain of culturally based contributions that begins anew with each individual. It starts in families with the raising of children with the capacity to learn, continues with a striving for education and knowledge at schools and universities and finally appears in the economy in the form of competitive products. The links in the chain are weakened if the shrinking numbers of homegrown young people are offset by the immigration of people with a below-average level of education and training.

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