The Political Demography of the World System: The Next Half Century[*]

Paul Demeny
Geoffrey McNicoll

The extraordinarily rapid expansion of the global population in the six decades following the end of World War II—from 2.4 billion to 6.4 billion—was paralleled by similarly striking changes in the world's geopolitical map. Global economic growth was faster than in any period of comparable length in human history, but country-by-country the progress was highly uneven. Scores of new independent states emerged; membership in the United Nations nearly quadrupled. The new countries, the majority classified as belonging to the "third" world, comprised at mid-century some two-thirds of the total world population. With low incomes and high demographic growth potential, they were weak players on the world stage. The dominant international actors continued to be the more technologically and industrially advanced countries, and the main axis of economic, military, and ideological competition was between those two other "worlds": the capitalist market economies of the West and the socialist East. The two sides offered contrasting models of economic and political organization, which third world countries variously adopted with widely differing results.

By the last decade of the century the bipolar competition of the Cold War had ended and the market economy model was triumphant. Economic globalization—greatly expanded international trade, capital movements, and cross-border mobility of labor—spread beyond the developed countries and East Asia, although very unevenly. Thus the developing world, by then four-fifths of mankind, had become far less homogeneous in both its demographic dynamics and its income per capita. By the end of the century it included many middle-income countries and several emergent economic giants—China, India, and Brazil—each intent on rapid economic growth and eventual emulation of the high-consumption economies of the West and Japan. But it also contained large regions of persistent economic backwardness and even retrogression, conditions aggravated by still-rapid demographic growth. At the same time the forces of globalization had begun to create social and economic strains in the affluent countries which, in combination with aging workforces and incipient population decline, seemed to put in doubt the sustainability of their own gains in economic welfare and questioned the applicability of their economic success as a model for the rest of the world.

The world of countries: continuity, coalescence, devolution

The concept of global population is commonly accepted and used in political discourse. That 6.4 billion figure, mentioned in the opening sentence, remains, however, largely a

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figment of the statistician's imagination. It is the sum total of the populations in some 200-odd national units, nearly all possessing formal national sovereignty. Demographic, economic, and social characteristics and their dynamics are gauged separately within these units and the meaning of their aggregation is elusive. Problems, demographic, economic, or social, come packaged country-by-country. Policies aimed at improving those characteristics are each country's responsibility.

Yet countries are a creation of history: their continuity over time is not carved in stone. They can split into smaller units or merge to form larger entities. The last sixty years brought a proliferation of national units. This was largely the result of the fall of colonial empires, the last phase of which was completed with the gaining of independence by the 15 former republics of the Soviet Union. Disintegration of some artificial national constructs contributed to the process, such as the separation of Bangladesh from Pakistan, Singapore from the Malay Federation, Eritrea from Ethiopia, and the split of the former Czechoslovakia and Yugoslavia into their major constituting units. The post-World War II artificial division of Korea solidified into two separate states. Palestine is seen to be en route toward independent statehood.

Sub-national devolution of political power, short of national independence, also was in evidence. Quebec is an example, as is, in Europe, Scotland, Wales, Catalonia, Corsica, Wallonia, and Flanders. Far-reaching regional autonomy was built into the postwar reconstruction of Germany as a federal republic, and devolution by legislative reform gave greater powers to regions in France and Italy. Striving for movement in similar directions has been evident in many other places as well, illustrated by the examples of Mexico, Sri Lanka, Thailand, Iraq, the Philippines, China, and Indonesia. From the last-mentioned country, East Timor regained full formal independence.

The reverse phenomenon—consolidation of multiple political units into one—saw few examples in the past sixty years. The most notable is the merger of the former East Germany into the Federal Republic. And of signal importance, although not classifiable under the traditional category of independent statehood, is the creation of the European Union. Starting with the six-country association under the 1957 Treaty of Rome, by 2004 the EU encompassed 25 states, with a population of some 455 million, pledged to form "an ever closer union." Member states agreed to preserve essential elements of sovereignty but ceded by treaty many functions formerly reserved to individual states to a common, non-territorial, political machinery headquartered in Brussels.

Demographic spillovers and responses: the last 60 years

Countries are not hermetically isolated. There are significant spillover effects—cross-border influences emanating from and received by national units. Sovereignty notwithstanding, countries have a legitimate interest in what happens beyond their borders. Countries' policies, including population policies, have a plausible international dimension.

Population growth and population assistance

The sudden acceleration of population growth worldwide following the end of World War II elicited responses that had no precedent in international relations. Historically, population size was seen by the main actors in the international arena, and notably among European states contending for supremacy, as closely correlated with national power. By mid-century this perception was greatly attenuated or even discarded. Technological and organizational prowess came to be regarded, correctly, as far more relevant ingredients of national strength than population size. But rapid population growth, especially in the economically backward countries, was perceived as a highly significant factor in economic development, but a wholly negative one: a brake on potential progress out of poverty, or even a cause of deeper impoverishment and political turmoil. In the context of the competition between the West and the Communist bloc for third-world influence, international policies aimed at reducing fertility—the only feasible avenue to lower population growth—acquired salience.

By the 1960s international assistance in population matters—first through bilateral channels, then supplemented and amplified by international institutions—had become part of international assistance for development at large. "Foreign aid" as a routine part of the interaction of developed countries with friendly less developed countries was a postwar Western invention. Its substance was the transfer of physical and technological resources aimed at enhancing local development efforts in key sectors of the receiving countries. How could population assistance be made to fit such a model?

In reducing fertility the donor countries had of course plenty of experience from their own histories. In most countries of the West, rapid fertility decline started in the late 19th century and within 40 to 50 years fertility was at, or even below, the long-run replacement level. Among latecomers in the West, this process was even faster. The fertility decline was not policy-guided—indeed, it was often actively opposed by government. Social scientists traced its causes to the transformation of economic incentives in the process of economic development, a change which, under appropriate institutional arrangements, powerfully affected demographic behavior.

Transferring that experience through the reigning model of foreign aid would have been an awkward task. Hence much of it was declared irrelevant to the social and economic circumstances of the less developed countries. Population assistance, in order to fit in with other components of aid, had to be sectoral, programmatic, tangible, and resource and service intensive, at however modest a scale. Modern methods of birth control, developed in the West in the early postwar decades, answered this need. Fertility, it was decided, could be reduced by providing access to this technology to couples who wished to plan their family size (and who in its absence would not have done so). During its two peak decades—in the 1970s and 1980s—Western population assistance, in part arranged through international agencies, consisted essentially of support given to national family planning programs in the third world.

By the 1980s fertility was falling in most of the less developed countries. With the conspicuous exception of sub-Saharan Africa and some populations in Asia, the transition to fertility levels at or below replacement was either completed or nearly so. It is for future historians to sort out the factors that shaped these trends. In some large populations—in China and in much of Latin America—they clearly had little to do with international aid. A fair conjecture would be that this radical transformation of fertility behavior will be found to have been quite similar in character and in driving forces to earlier Western experience and to fit quite closely the classic model of the demographic transition.

Whatever the case may be, by the mid-1990s, international population programs were reformulated—transmuted into components of more standard types of international assistance: serving reproductive health needs, combating infectious diseases (in particular AIDS), promoting the welfare of adolescents, and seeking elimination of gender biases in various social programs. Programs with the express aim of helping to slow population growth by moderating fertility rates are now evanescent even in Africa, despite that continent's still high fertility, or are being phased out entirely. Rapid population growth in other countries is no longer commonly perceived by policymakers as a negative externality justifying assistance to birth control programs. The current ruling development paradigm, formulated in 2000 as the Millenneum Development Goals, is unconcerned with fertility and population growth. This "extended vision of development" in effect implicitly endorses the population slogan of the one-time New International Economic Order broadcast at the 1974 Bucharest international population conference: Take care of the people and the people will take care of themselves.

Migration spillovers

Beyond fertility, another form of demographic behavior with potential international spillover effects—positive, negative, and most commonly a mixture of the two—is migration. Historically, of course, international migration has been the prime shaper of the world's demographic map. In the modern era, voluntary and in some cases organized or forced migration had the determining role in the peopling of the new continents, as was the case in North America and Australia, and to a large extent also in Latin America. Migration extended the Russian Empire to the Pacific, established large Chinese populations in many countries of Southeast Asia, and accounts for sizeable populations of Indian origin in Africa, the Caribbean, and the Pacific.

In the interwar years, with the virtual closing of the US migration door, international migration became a trickle. World War II produced massive dislocations, refugee movements, and expulsions of people from occupied territories. After the war, international migration was reinvigorated as a result of the collapse of the colonial system, and especially as a result of the economic boom in Western Europe, which by the 1950s was in full swing.

The countries of Western Europe had long been major senders of migrants; now they became countries of immigration. An increasing portion of immigrants came from outside Europe, many recruited as "guest workers" to fill particular labor force needs. The guests remained and brought their relatives. Others arrived in turn. If a population that is 8-15 percent of foreign-origin, with distinctive linguistic, ethnic, religious, or, to use the American terminology, racial background, and exhibiting low propensity toward assimilation, makes a country multicultural, multiethnic, and multiracial, by the 1970s most Western European countries could be so characterized.

In the United States, immigration reform in the mid 1960s—legislation originally intended to facilitate Irish and some other European immigration—resulted in a steady and massive inflow with a wholly novel composition by national origin. Migrants from Latin America (primarily from Mexico) dominated, but many came also from East and South Asia, the Middle East, and Africa. Immigration from Europe to the United States became numerically insignificant. Proportionately large scale immigration also revived into Australia and Canada, in both cases with increasingly multiethnic characteristics. After the collapse of the Soviet Union, the Russian Federation received large scale immigration of Russians from the other former Soviet republics. Among the large countries conventionally classified as developed, Japan remained an exception, barring virtually all permanent immigration. A number of African and Asian countries received large numbers of migrants as refugees from their neighbors.

Throughout the period, the traditional principle, that regulation of immigration is the sovereign right of the receiving country, had been strictly maintained. (The international obligation to admit asylum seekers qualifies that right, but does so on the tacit assumption that the number of bona fide asylum seekers is small, thus allowing latitude to receiving-country authorities to define who is so entitled.) In most European countries, as domestic anti-immigration groups became more vocal in the 1970s, governments increasingly sought to cut migrant numbers. But such efforts tended to be counteracted by immigration generated by family reunification (recognized as a human right), as well as by increasing flows of illegal migrants against which applicable measures were either ineffective or considered unacceptable by the native population. As in the United States, illegal migrants, if they stayed in the country long enough, tend to be granted permanent residence and eventually citizenship. Thus, around the turn of the century, immigration into the countries of Western Europe, North America, and Australia remained substantial—in total, some 2.5 million legal immigrants per year, complemented by a smaller, but still significant, number of illegal migrants. In Europe, given very low or even negative rates of natural increase, population growth is now essentially growth by immigration.

Changing relative sizes of population

The near-worldwide decline of fertility appears to have taken the "population problem" off the agenda of international relations. That is unfortunate. It misconstrues the likely role of the demographic factor in the world system during the coming decades.

We should note that the convergence of fertility rates is far from complete. The latest (2004) UN estimates contrast a current average total fertility rate (TFR) of 1.6 for the more developed countries with a TFR of 2.9 for the less developed world. The medium UN projections envisage full convergence only about the middle of the century. In combination with very different age distributions—relatively still youthful in the less developed regions and exhibiting advanced population aging in the developed world—a continuing shift in relative population sizes between regions and between major countries will continue apace for many years to come.

The same UN projections foresee global population growth between 2005 and 2050 of 2.6 billion—a net increase larger than the total world population in 1950. That increase will be distributed highly unevenly across world regions. Holding constant the categories of "more" and "less" developed (admittedly, labels that will become increasingly vacuous), the population of the more developed regions is projected to grow by only 25 million. This is despite the assumption that net immigration into those regions will amount to 98 million during the 45-year period. Thus, 99 percent of the global growth is expected to occur in the less developed regions.

Among major regions, Europe (including Russia) shows the most pronounced loss in terms of relative size. Its population was 22 percent of the world's total in 1950. By 2005 that figure fell to 11 percent. In 2050 it is expected to be 7 percent. In absolute terms, Europe's population is estimated to be 728 million in 2005. Despite an assumed net immigration of 32 million persons during the next 45 years, a further improvement in its mortality, and a recovery of its fertility from the current TFR of 1.4 to 1.85 by mid-century, the continent's population is expected to fall to 653 million in 2050—that is, 75 million below its present level.

At the other regional extreme, Africa's population is projected to continue its rapid growth. That continent's share in the global total was 9 percent in 1950, increasing to 14 percent in 2005 and 21 percent in 2050. Its projected absolute population growth during the next 45 years is more than 1 billion.

Such population figures take on a fuller meaning in combination with current economic conditions and their plausible future evolution. If so considered, they suggest a major gain in the coming decades in the economic weight and the geopolitical importance of the Asia-Pacific region and of South Asia, in comparison to the North Atlantic region—the region which, at least for the last two centuries, has held a preeminent position in the global hierarchy of economic and military power. They also suggest persistence of major income differentials, in terms of per capita measures, between the currently rich countries and those with currently low average income. Sustaining faster economic growth in per capita terms in the less developed world in comparison to the rich countries—the dominant, although by no means exclusive, pattern in recent decades—would of course eventually close that income gap. But even under the most daring assumptions, in most instances this process will be far from completed by mid-century. And as an arithmetical likelihood, in the early phases of the catch-up process, absolute per capita income differentials will further widen.

Prospects for international migration

Income differentials, in combination with relative population sizes, clearly point to the continuation and the likely intensification of migratory pressures with the potential to generate massive population movements from poor to rich countries. To what extent such movements actually materialize is a different matter. Migrant-receiving countries seldom have "plans" about the number of migrants to be admitted beyond the immediate future. The migration assumptions incorporated in the UN projections, such as those cited above, are arbitrary, hence purely illustrative. They typically assume, country-by-country, continuation of the volume of the migrant stream estimated for the most recent past, or at a somewhat reduced level. The actual number of migrants may turn out to be far greater than this. Mexican migration into the United States in the 1950s and 1960s, for example, poorly signaled the massive influx of such migrants in the most recent decades.

Migration may also turn out to be smaller than simple extrapolations suggest. Public opinion in the main receiving countries, especially in Europe and more specifically in the European Union, has, on balance, increasingly favored less migration. Strict enforcement of the rules adopted in this sphere could greatly restrict migration flows, both legal and clandestine. Yet enforcement is costly in economic terms and infringes on other values and preferences of the native population. Moreover, in every immigrant-receiving country there are numerous persons and interest groups that strongly favor relaxation of rules in particular cases or for particular types of immigrants; their wishes tend to prevail over the weakly expressed preferences of the greater number of those favoring tighter restrictions.

Such differences in attitude are typically strongly correlated with position in the income or class hierarchy. Whether in their private capacity or as entrepreneurs, more affluent segments of the population disproportionately benefit from greater access to low-wage domestic service workers or to wage laborers willing to take on jobs below the rates that native workers would demand. At the same time, wealthier persons are apt to have less exposure to discomforting situations, such as the changing ethnic make-up in residential areas or in the schools their children attend. Persons in lower income classes bear the brunt of such exposure.

An often repeated argument favoring immigration invokes the economic and social problems associated with population aging and the "needs" of the labor force. The influx of migrants rejuvenates the age structure and fills jobs that otherwise would go unfilled. Migrants, if employed, thus ease labor force adjustments and prop up the pension and health care systems of the receiving country. But as demographers know, this, at best, is a temporary remedy for population aging. Immigrants also age; they eventually cease to be workers and taxpayers and become claimants on pensions and other entitlements. To maintain the rejuvenating effect would require sustained immigration on a scale that over time would radically change the numerical balance between natives and immigrants—a transformation unlikely to be welcomed by most persons in the receiving country.

Within broad limits, modern industrial societies should be able to cope with the economic and social problems caused by population aging without recourse to immigration. The institutional changes required for that purpose are well known. The availability of an apparently "easier" solution for those problems, through immigration, allows societies to avoid the needed reforms—as well as to avoid thinking seriously about policies to encourage higher birth rates.

In filling labor force needs, the advantages and disadvantages of immigration would have to be compared to alternative means of adjustment: mobilizing labor reserves from the native population; developing and adopting technologies that substitute for labor; upgrading wage rates to elicit labor supply responses; and, not least, eliminating activities that are thereby priced out of the market. Each of these adjustments, whether applied separately or in combination, has its costs. Over time these costs may, however, prove to be lower than the reflexive reliance on immigration.

The migration solution looks easy because of the magnitude of the supply pool of potential migrants—a function of income differentials and relative population sizes. Although geographic proximity now has less influence on migration decisions than in the past, when transportation and communication costs were higher, the point may be illustrated by comparing migrant-receiving countries with potential sender countries in their general geographic neighborhood.

The three EU countries with the largest net immigration are Germany, the United Kingdom, and Italy. The three largest potential migrant suppliers in the EU's southern neighborhood—call it the Broader Middle East—are Egypt, Turkey, and Iran. In 1950, the three EU countries had a combined population of 165 million, the three in the Middle East, 61 million. Fifty-five years later, in 2005, despite substantial immigration into the EU and outmigration from the Middle East, comparative population sizes are 204 million in the three EU countries and 217 million in the three countries of the southern neighborhood. For the next 45 years, the UN assumes net immigration of 9.1 million into Germany, 5.9 million into the UK, and 5.4 million into Italy and substantial, although less massive, outmigration from Egypt, Turkey, and Iran. Nonetheless, the medium projections for 2050 reflect further major shifts in comparative population size: 197 million in the three EU countries, and 329 million in southern three. Per capita income (2002 estimates in purchasing power parity terms) was above $25,000 in each of the three EU countries; it was about $6,000 in Turkey and Iran and less than $4,000 in Egypt.

Clearly, even if much larger plausible pools of would-be migrants from areas such as sub-Saharan Africa and South and West Asia are ignored, the potential exists for immigration into the EU—and, by the same token, into other high income areas—at a much larger scale than is currently assumed in UN population projections. More to the point, it is larger too than envisaged by any of the migrant-receiving countries. Should such migrations materialize, they would amount to only a modest downward correction to population growth trends in the sending countries but could radically change the demographic make-up of the receiving countries. There is much historical experience to suggest that such changes can have unwelcome consequences—cultural, economic, and political—whenever assimilation of migrants proves to be difficult, whether because of attitudes prevailing in the receiving society or attitudes of the migrants themselves.

Future regulation of migration

Countries can of course decide through the political process the level of immigration best suited for their interests and wellbeing, and they can enforce that decision. That is a sovereign right fundamental to the modern state system. But, as noted above, countries may be hesitant or unable to exercise that right for a variety of reasons, whether owing to the high cost of enforcement or because they lack the strength to resist demands from sending countries. In any case, the complex mixture of gains and losses that international migration almost always entails makes the decision-making process inherently difficult. The clearest gainers from migration are the migrants themselves, demonstrated by their actions.

International migration also has a welfare effect on the sending countries. The existence of this effect may challenge the exclusive right of the receiving countries to regulate the process. In an article written nearly eighty years ago, presented at the 1927 World Population Conference, Albert Thomas, the then director of the International Labour Office, asked whether the time has come "for considering the possibility of establishing some sort of supreme supranational authority which would regulate the distribution of population on rational and impartial lines, by controlling and directing migration movements and deciding on the opening-up or closing of countries to particular streams of immigration." Such ideas appear to be resurfacing in contemporary policy discussions in the international arena. If migration is seen as an instrument to satisfy labor needs in the receiving countries, there could be a justification for a quid-pro-quo in the form of material compensation for sending countries. There might be a case for policymaking responsibility to be shared with the sender. While such moves would no doubt be resisted by the receiving states, the issue introduces an additional level of uncertainty in forecasting the volume and direction of international migration in the coming decades.

For *temporary* labor migration, joint decision-making is certainly to be expected. Such schemes, bringing in migrants on work contracts for a fixed period—say, two years—could be established to the mutual benefit of the receiving and the sending countries, and, of course, of the migrants themselves. Although there are successful models for such guest-worker arrangements, their potentials have not been much explored. Temporary migration schemes could be of particular interest to countries in which popular sentiment is unequivocally against immigration, such as Japan, but might also warrant greater attention than at present in the United States, Australia, and, especially, Europe. Short of draconian administration, full enforcement of the return provision for guest-workers (presumably to be replaced by new recruits) is not to be expected, but that goal is not necessarily a condition for success. A side benefit of such a scheme could be the selection of some fraction of participants to be offered permanent resident status.

Migration within the countries of the European Union presents a special case of international migration. The label "international" is warranted, as EU countries retain major elements of national sovereignty. Treaties guarantee citizens of member countries the right to free movement, for whatever purpose, within the Union. (Labor migration from countries that joined most recently are still subject to some temporary restrictions.) Through the Schengen agreement, involving a large subset of the continental EU countries, the right to free movement and settlement is also guaranteed to persons to whom any Schengen member country has granted permanent immigrant status. When differentials in income are minor, as in the case of the EU-15 countries, labor migration is likely to be small, an outcome reinforced by cultural and linguistic barriers. Few persons from Munich wish to take up work in Lyon, and vice versa. Labor migration from the rest of what is now the EU-25 has greater potential, but most signs thus far suggest that these flows too will be modest. The most important migration type within the EU in the coming decades may turn out to be retirement migration—retirees attracted to parts of Spain, for example, in a pattern similar to that observed in Florida or Arizona in the United States.

This discussion is necessarily inconclusive, but it clearly suggests that migration flows from less developed countries to the rich countries in the next half-century—especially to North America and the European Union—will be at least as large and possibly significantly larger than those observed in the most recent decades. By mid-century, both these continent-size areas are likely to have populations far more varied by ethnic and cultural background and by geographic origin than was the case at the turn of the millennium.

Uneven development and globalization

The large income differences between countries that drive contemporary international migration are the results of a long process of uneven development. A stylized economic history could depict that process as a journey. Countries start from a point of universal poverty on a path toward greater material comfort. Some counties and regions progress rapidly, others lag behind. For any single country the speed of advance is not uniform: overtaking and backsliding occurs, gaps between the travelers can narrow or widen. At least since the industrial revolution, however, Europe and its overseas offshoots, notably the United States, along with Japan, were leading in this race. During the last century their lead over the rest of the pack increased considerably.

The factors explaining the ranking at any moment are complex, intertwined, and often deeply rooted in the past. Among them are differences in acquisitiveness and in aptitude in seeking material advancement; ability to develop institutions conducive to thrift, trust, and cooperation; interest in science and in its practical applications; favorable geographic location, climate, and access to natural resources; military prowess and skills in making and maintaining peace; willingness to take risks and luck in having them pay off; and a host of others.

One of these factors, again in interaction with others, is demographic behavior. During their modern history, the presently rich countries certainly benefited from the economic stimulus of spurts in population growth, yet they avoided the kind of expansion that, by natural increase alone, can multiply a population eight-fold or more during the course of a single century. Europe, in particular, could have built up a population that today would be a numerical match to China or India, or even surpass those countries in size. But it did not do so. Under the guidance of fortuitous institutional structures, aggregate population growth was kept in check during Europe's modern history. By the late 20th century, under circumstance of unparalleled prosperity, the Western portion of that continent was approaching zero population growth. Its countries built up elaborate welfare states, promising, and to a large extent already providing, material comforts and security to every citizen. Europe seemed to be prepared to settle down to enjoy the pleasures of a stationary state, in which, as Keynes once suggested, the struggle for material goods becomes secondary to the higher goal of pursuing happiness, everyone freely choosing his or her own best way to achieve it.

Being born in one of these rich, stable societies in effect automatically imparts a gift—an unearned rent traceable to the wise demographic choices, individually or in their aggregate result, made by ancestors in a parade of generations reaching back into the deep past. Those seeking entry into these lucky countries by immigration can be thought of as trying to capture that rent by the only other available route.

Ironically, even before being fully able to realize its promises, this "European social model"—both in Europe and in its counterparts elsewhere—is now under threat. It is menaced from two developments, each of which has a key demographic component.

One demographic menace is overshoot in the reduction of fertility. Bringing fertility to a long run replacement level is a historical imperative. Falling somewhat under replacement need not be differently characterized: fertility cannot be fine-tuned to 2.06 children per woman. For a long period, affluent industrial societies could certainly live with a slow decline in their populations and adjust to the economically less advantageous age structure associated with it, without suffering dire economic and social consequences. But should fertility settle at a level deeply below replacement, the age structure that eventually results, resembling a pear stood on its stem, cannot be accommodated. Short of a policy-engineered revival of fertility, massive immigration, with its attendant perils, then becomes the only possible remedy.

A second demographic menace, paradoxically, is external: it arises from the processes of globalization, which draw mature postindustrial, post-demographic transition societies into economic interaction with materially much poorer societies—societies that have a different demographic past and different current demographic configurations.

Economic theory supplies a convincing demonstration of the advantages of extending the scope of economic interactions from the narrowly local to the national and, beyond that, to the global level. Although the demonstration is studded with massive ceteris paribus assumptions that dictate caution, it is evident that larger markets permit greater division of labor, stimulate competition, specialization, innovation, and higher productivity, and provide their participants with access to a greater variety of goods. In so doing the enlarged market delivers higher incomes and promotes economic growth: it makes individuals and countries richer.

History provides convincing demonstration of the thesis. The first great epoch of globalization, the late 19th and early 20th century, brought rapid economic growth in the leading industrial countries and sparked the beginning of industrialism throughout the rest of the world. The drastic curtailment of international trade in the interwar years was associated with low growth and eventually with the misery of the Great Depression. After World War II, renewed efforts at international liberalization resulted in a vast expansion of international trade and unprecedented prosperity.

But that postwar success story was, in fact, geographically quite limited, hence a less than compelling argument for the merits of globalization. Much of the expansion of trade took place among the rich countries. These countries possessed similar or fast converging levels of income, rendering them natural partners in trade. The second world—the Soviet empire, with China nominally also included—was not part of the emerging free trade zone. Neither was India, an official admirer and would-be imitator of the Soviet prewar ambition of "socialism in one country." The countries of Africa mostly espoused and in part practiced "African socialism," and those of the Middle East similarly experimented with local varieties of the socialist model. Ideology also kept much of Latin America outside the revived world market: interaction with the "center" was seen as perpetuating peripheral status and solidifying economic dependency.

The great exceptions to these stand-aparts, unwilling to join the globalization bandwagon, were the market-oriented countries of East Asia. Guided by the visible but skillful hand of their governments, these countries seized the opportunity for rapid industrialization offered by trade with, and unimpeded flow of capital investment from, the leading capitalist countries. Strategic considerations in the context of the Cold War helped to make the West a willing partner in these exchanges. Relative demographic size clearly facilitated that willingness. Even if Japan is included among the newly industrializing trading partners—and, of course, by the 1970s Japan had solidly established itself as part of the core of the capitalist world—their combined population, or more relevantly, the combined size of their potential labor resources, represented a small fraction of the labor force of the leading capitalist countries. Any pain from losing industrial jobs to the East Asian tigers was clearly overshadowed by the economic gains generated by increased trade.

Not surprisingly, the lessons of success are eventually absorbed by others, and the recipes are adopted. The big turnaround came in China, marked by the Dengist reforms of the early 1980s that freed trade between China and the outside world and opened the Chinese market to foreign investment. The ranks of imitators thereafter grew rapidly. The latest major convert to the advantages of exploiting the global marketplace has been the formerly autarky-seeking, reform-socialist India. Today, there are hardly any less developed countries that wish to shut themselves off from globalization.

But from the point of view of the industrialized countries this new globalization of globalization presents an unprecedented challenge. It places these countries in competition with newly emerging industrial countries that possess labor forces, actual and potential, vastly greater in numbers to their own and does so under circumstances in which the former advantages that favored the developed countries in such competition are rapidly disappearing. The problem is highlighted in warnings nowadays insistently issued to the citizenry in the EU and, albeit with less justification, also in the US: "You must work harder and longer than before; you must give up privileges to which you grew accustomed; and even if you do so, your job may evaporate tomorrow." Why? "Because of globalization! You are in competition with countless millions of workers in faraway lands who are eager and able to do what you do and do it just as well, yet are willing to do it for wages that are a fraction of yours."

Such rhetoric in part just serves the purpose of drawing attention away from problems that have nothing to do with globalization but derive from features in the existing design of systems of social protection that are becoming unsustainable because of population aging. These problems call for domestic reforms, regardless of the extent of exposure to foreign competition. But the element of truth the warnings contain is sufficiently large to question the longer-term acceptability for the developed world of openness to international trade under the rules of the WTO—the main driving force of globalization.

Regional autarky?

In the past, the relatively high wages (and high non-wage costs) prevailing in the rich countries were routinely explained and justified by the higher productivity of their labor force. That competitive edge derived from advantages that developing countries were once unable to replicate—a well-educated labor force that has privileged access to the best technology and to superior complementary factors of production such as management and marketing skills, organizational prowess, and modern communication and transportation infrastructure, and a secure and healthy environment. These advantages have fast been eroding as transnational corporations increasingly recreate them in locations where labor costs are much lower. Transferring industrial production to new countries then becomes an option favored by an elementary economic calculus. This tends to happen first in the case of less sophisticated products—thus harnessing less developed countries' labor forces to engage in the "rubber shoes, bicycles, and umbrellas"-type of manufacturing activities. In the West, many past worriers about Japan’s postwar economic predicament thought such products would be Japan’s future way of earning a living through exports. Today no observer could miss the ability of China or India to produce consumer and capital goods using the most advanced technologies, and their ability to sell such goods more cheaply than those manufactured in the high-wage industrial countries. Can a Chinese A-380 be far away?

The low-wage advantage of less developed countries combined with modern production techniques and managerial skills could make these countries virtually the exclusive locations for scores of industries, through "delocalization" and outsourcing of manufacturing and service jobs. The objection that the advantage is temporary as wages will rapidly rise in the new locations of industry is illusory. China and India, and many less populous countries coming behind them, have large labor reserves in the traditional sectors of their economies that will not be exhausted for decades to come and will keep wages down. Those same labor reserves make the notion of creating a "level playing field" fatuous: as long as those labor reserves exist and can be mobilized, permitting wage equalization upward would retard full modernization of the countries that possess them.

Such a process of deindustrialization, as seen from the point of view of the former leading industrial countries, does not of course affect all industries: many service jobs, in particular those of the personal care industry—a growth sector in any country with an aging population—cannot be exported. And at least for a while, headquarters of transnational enterprises may remain in the centers from which much of the capital and much of the technology driving the new industrialization originates. Still, even if such geographic specialization could be seen as permanent, favoring a well-compensated elite, not everybody in the former seats of manufacturing can be a banker, a lawyer, an advertising and public relations executive, marketing strategist, systems analyst, or management consultant. The "symbolic analysts" who were to maintain the technical edge of the West's postindustrial economies, are as likely to be found in Shanghai and Bangalore as in Silicon Valley or the two Cambridges.

A more promising and steady jobs-assuring and export-earning large industry in the advanced state of international specialization, say, between the EU and the emerging modern Asia, could be tourism. This would entail, in essence, the transformation of the former into a huge theme park, geared for the entertainment of curious newly-rich visitors from the latter. In the ensuing equilibrium position, general material affluence might reign. But such a future, even on aesthetic grounds, would not appeal to countries with the memory of a quite different history.

This line of argument is set out in only the sketchiest terms here, and may seem overdrawn. But its consideration in the ongoing debate about the merits of globalization is unlikely to be avoidable. The weight of academic opinion, especially among economists, is on the side of pushing ahead along the track we are on. But popular opinion disagrees, and its exploitation by populist demagogues is a prospect all too real. If so, exploration of alternative models for the organization of the international system over the next half-century should be a rewarding task. It is one that might even engage demographers.

There would be no appeal in any return to inward-looking protectionism at the country level, nor indeed would that even be feasible. But the assemblage of a large enough and, in terms of income, not-too-diverse regional grouping could make good sense. An EU is large enough, with its 450-odd million people, to exploit just about all conceivable economies of scale (perhaps only the A-380 actually requires a global market) and to provide a competitive environment assuring innovation and steadily improving product quality. Within its boundaries its rules already forbid protectionism. And it is large enough to provide balance—a diversity of industries and activities allowing for complementarities and unplanned synergies and pleasing to the soul. How much more advantage can be squeezed out of extra diversity, in a region where Finns rub shoulders with Portuguese and Irish with Greeks? In short, as a region in itself the EU could flourish with a fair degree of autarky, working primarily to satisfy its internal market. The same recipe could fit North America, or a larger Western Hemisphere grouping. And something similar could be fashioned from what some already call China's co-prosperity sphere, or an analogous region for India. These regions could live in peace with each other—a supposed attribute of democracies—and also trade. The EU needs some exotic spices; its citizens want to visit the Great Wall, the Grand Canyon, and the Taj Mahal. Mutatis mutandis, the others have comparable needs and desires.

In a more remote future, setting aside all that may go wrong, population pyramids around the world will even out—and, we can hope, will not have converged to the inverted pear-shaped model. Economic prosperity of a sort will have been attained. In such a world, true globalization is likely to emerge as a real option. But, not least for solid demographic reasons, that future is not within our grasp in the next 50 years.