

Germany's Coming Gerontocracy

The political dangers will be immense.

BY HANS-WERNER SINN

Germany's demographic time bomb is ticking. Baby boomers born in 1964 are now fifty years old and plan to claim their retirement benefits in fifteen or even thirteen years' time. However, the combination of a growing number of pensioners and far fewer younger people is leading to an almost unsolvable and highly predictable generational conflict. In 2000, one hundred working-age people (age 15–64) had to finance twenty-four people of retirement age (age 65-plus). In 2011, this number had risen to thirty-one retirees. In fifteen years, it will be forty-seven. In twenty years, fifty-five pensioners will have to be supported, more than twice as many as at the beginning of this century.

In the OECD birth statistics, Germany ranks quite low: with 8.4 births per thousand inhabitants in 2012, it edged out of the last-place position that it had held for some time. Now it is second-last ahead of Japan. And this was only possible because of immigrants, whose children now make up one-third of newborns in Germany. Without them, the country would still be relegated to last place in the birth statistics.

Baby boomers still have no idea what is in store for them, because they benefit from a fortuitous and historically unique situation. Never in the history of Germany have fifty-year-olds had to support so few old and young people, in relative terms, as today. This pattern will never return. Baby boomers have been able to finance their parents with the help of their many siblings; the financing of their children was no problem because they had so few. Thus, much money was left over for unprecedented consumer spending. But in about fifteen years, the good life will abruptly turn into despair when the bulk of baby boomers retire, expecting to be supported by children that don't exist. The descent from consumer bliss to old-age poverty will be sudden, deep, and painful.

The political dangers of this development are immense. Baby boomers will use their political clout to escape foreseeable old-age poverty by imposing growing burdens on their limited number of children. As early as 2002, in a paper I authored with Silke Übelmesser, we predicted that the numerical political majority of the younger generation would end in 2015. Thereafter, the voters old enough to benefit from increases in

pensions will have more influence than those who, on balance, stand to lose over the course of their lifetime. Germany is becoming a gerontocracy.

The young will not accept exploitation without a struggle, even though they will be in the minority. If they see themselves compelled to pay an increasing share of their income to the government to finance the pensions of the elderly, they will either emigrate or take to the streets to voice their discontent, exerting dangerous strains on German democracy. It will not help matters that at the same time, many uncovered bills will be presented from rescuing of the crisis countries of southern Europe.

But what can be done about this demographic plight? A partial solution lies in higher numbers of immigrants. The mass immigration that Germany is already experiencing because of the crisis in southern Europe will intensify on its own as more and more jobs become available. Also, the retirement age will probably be raised again, regardless of the recent backward-looking decisions of the governing coalition. But estimates of what is needed in terms of immigration and a later retirement age are significantly greater than

people can imagine or would tolerate.

For this reason, there is no alternative to increasing the birth rate. To achieve this, the exploitation and discrimination of families needs to stop. If the basis on which pensions are calculated is changed to include a child component that would give parents a share of the results of their efforts in child rearing, the number of births would certainly increase. The more children a person raises, the more pension supplements she or he would receive from the generation of their adult, working children.

A particularly effective measure would be the rapid expansion of nurseries to shorten the waiting lists for young families. As a comprehensive study by the Ifo Institute shows, the construction and occupancy of one hundred new childcare places statistically leads to the birth of about ten more children.

With more children in Germany, there is a greater chance of preventing a gerontocracy and peacefully overcoming the looming demographic crisis. ♦

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