

and fiscally sustainable health care and pension systems. All in all, Europe presents the most significant short-term challenge to the United States in the economic realm.

But Europe has one crucial disadvantage. Or, to put it more accurately, the United States has one crucial advantage over Europe and most of the developed world. The United States is demographically vibrant. Nicholas Eberstadt, a scholar at the American Enterprise Institute, estimates that the U.S. population will increase by 65 million by 2030, while Europe's will remain "virtually stagnant." Europe, Eberstadt notes, "will by that time have more than twice as many seniors older than 65 than children under 15, with drastic implications for future aging. (Fewer children now means fewer workers later.) In the United States, by contrast, children will continue to outnumber the elderly. The U.N. Population Division estimates that the ratio of working-age people to senior citizens in western Europe will drop from 3.8:1 today to just 2.4:1 in 2030. In the U.S., the figure will fall from 5.4:1 to 3.1:1. Some of these demographic problems could be ameliorated if older Europeans chose to work more, but so far they do not, and trends like these rarely reverse."²⁰ The only real way to avert this demographic decline is for Europe to take in more immigrants. Native Europeans actually stopped replacing themselves as early as 2007, so even maintaining the current population will require modest immigration. Growth will require much more. But European societies do not seem able to take in and assimilate people from strange and unfamiliar cultures, especially from rural and backward regions in the world of Islam. The question of who is at fault here—the immigrant or the society—is irrelevant. The political reality is that Europe

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is moving toward taking in fewer immigrants at a time when its economic future rides on its ability to take in many more. America, on the other hand, is creating the first universal nation, made up of all colors, races, and creeds, living and working together in considerable harmony.

Surprisingly, many Asian countries—with the exception of India—are in demographic situations similar to or even worse than Europe's. The fertility rates in Japan, Taiwan, Korea, Hong Kong, and China* are well below the replacement level of 2.1 births per female, and estimates indicate that major East Asian nations will face a sizable reduction in their working-age population over the next half century. The working-age population in Japan has already peaked; by 2010, Japan will have three million fewer workers than in 2005. Worker populations in China and Korea are also likely to peak within the next decade. Goldman Sachs predicts that China's median age will rise from thirty-three in 2005 to forty-five in 2050, a remarkable graying of the population. By 2030, China may have nearly as many senior citizens sixty-five years of age or older as children under fifteen. And Asian countries have as much trouble with immigrants as European ones. Japan faces a large prospective worker shortage because it can neither take in enough immigrants nor allow its women to fully participate in the labor force.

The effects of an aging population are considerable. First, there is the pension burden—fewer workers supporting more gray-haired elders. Second, as the economist Benjamin Jones

* Birthrates in China could be underreported owing to the government's one-child policy. However, the demographic consensus holds that the total fertility rate has been below replacement level in China for fifteen years or more.

has shown, most innovative inventors—and the overwhelming majority of Nobel laureates—do their most important work between the ages of thirty and forty-four. A smaller working-age population, in other words, means fewer technological, scientific, and managerial advances. Third, as workers age, they go from being net savers to being net spenders, with dire ramifications for national saving and investment rates. For advanced industrial countries—which are already comfortable, satisfied, and less prone to work hard—bad demographics are a killer disease.

The native-born, white American population has the same low fertility rates as Europe's. Without immigration, U.S. GDP growth over the last quarter century would have been the same as Europe's. America's edge in innovation is overwhelmingly a product of immigration. Foreign students and immigrants account for 50 percent of the science researchers in the country and, in 2006, received 40 percent of the doctorates in science and engineering and 65 percent of the doctorates in computer science. By 2010, foreign students will get more than 50 percent of all Ph.D.'s awarded in every subject in the United States. In the sciences, that figure will be closer to 75 percent. Half of all Silicon Valley start-ups have one founder who is an immigrant or first-generation American. America's potential new burst of productivity, its edge in nanotechnology, biotechnology, its ability to invent the future—all rest on its immigration policies. If America can keep the people it educates in the country, the innovation will happen here. If they go back home, the innovation will travel with them.

Immigration also gives America a quality rare for a rich country—hunger and energy. As countries become wealthy,

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the drive to move up and succeed weakens. But America has found a way to keep itself constantly revitalized by streams of people who are looking to make a new life in a new world. These are the people who work long hours picking fruit in searing heat, washing dishes, building houses, working night shifts, and cleaning waste dumps. They come to the United States under terrible conditions, leave family and community, only because they want to work and get ahead in life. Americans have almost always worried about such immigrants—whether from Ireland or Italy, China or Mexico. But these immigrants have gone on to become the backbone of the American working class, and their children or grandchildren have entered the American mainstream. America has been able to tap this energy, manage diversity, assimilate newcomers, and move ahead economically. Ultimately, this is what sets the country apart from the experience of Britain and all other historical examples of great economic powers that grow fat and lazy and slip behind as they face the rise of leaner, hungrier nations.

The Macro Picture

Many experts, scholars, and even a few politicians worry about a set of statistics that bode ill for the United States. The savings rate is zero, the current-account deficit, trade deficit, and budget deficit are high, median income is flat, and commitments for entitlements are unsustainable. These are all valid concerns and will have to be addressed by Washington. If America's economic system is its core strength, its political system is its core weakness. But the numbers might