BANQUE
ERIC STURDZA

INTERNATIONAL ISSUES: ECONOMIC AND SOCIETAL CHALLENGES.

"Even the stones that lie across your path can be built into something beautiful," Goethe

Bruno Desgardins ***March 2017***

Banque Eric Sturdza SA • Rue du Rhône 112 • Case Postale 3024 • 1211 Genève 3, Suisse
T +41 22 317 9811 • F +41 22 310 3880 • www.banque-es.ch

- How far have we come? Between 1960 and 1974, global GDP growth was 5.2% per annum, and since the year 2000, global GDP has managed to double again. Between 2008 and 2015, although interest rates were kept artificially low to stimulate growth, and the world's debt increased by $60,000 billion, GDP growth did not exceed 2.8% per annum.

- Where do we stand? Never have the effects of a wave of innovations spread so rapidly to every country and every sector, from manufacturing to services, from the automotive industry to finance, and even transport and tourism. Never has a wave of innovations affected so many workers, first the least skilled, employed in repetitive tasks, and then increasingly qualified professionals such as lawyers and surgeons. Consider that Uber, Airbnb and their ilk came into being just around ten years ago. And we are starting to see the fantastic potential of 3D printing, autonomous vehicles, biotechnologies, robotics and artificial intelligence.

- Where are we headed? The economic debate underpins the choices we make for society: reducing corporate taxation or the cost of capital favours shareholders and financial markets but will adversely affect employment and the middle classes. Efforts to protect pensions, which already cost 11% to 13% of GDP in Western countries, will continue to penalize wage-earners. Spend insufficiently on education and infrastructure, or allow debt to spiral out of control or sacrifice the climate, and it will be the coming generations that will pay the consequences.

- Unfortunately, a parallel with the 1929 crisis is not far-fetched. The four issues (ethnic fundamentalism, border disputes, class war and a crisis of capitalism) identified by ***Ian Kershaw*** in a recent book as characterizing the period between World Wars I and II, can be found again now. The ethnic fundamentalism is of a different form from that in the 1930s era; the contemporary version is reflected in attitudes towards migrants or against Islam. The border disputes are mostly in Asia, opposing China against its neighbours, but Europe is not spared, with the turmoil in Ukraine and Crimea. The other two factors, class war and the rejection of the elite, are reflected in populist movements, and also in the crisis of capitalism which seems to be persisting since 2008.

- To properly understand the issues, we can analyse first the economic challenges and then the societal challenges.

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Economic challenges: "***To be generous, you have to be rich," Aristotle's Nicomachean Ethics.***

Aristotle's statement is explicit. Grappling as they are with lacklustre growth, governments have little to redistribute. Grappling as they are with many demands, governments are using public debt, but that cannot constitute a policy. Grappling as they are with expectations that they are unable to meet, governments are discredited, and globalization represents an easy scapegoat.

Analysing the challenge of the global growth slowdown, the challenge of globalization and slower growth in global trade and the risk of protectionism, one could ask whether there are grounds to fear inflation and stigmatize finance.

- The challenge of the global growth slowdown:

It is indisputable that productivity gains have decreased, as a consequence of the declining relative weight of manufacturing and the expansion of services employing low-skilled labour. The lower investment rate is due to uncertainty, overcapacity in many sectors, credit restrictions and the fact that many economic agents have to deleverage. It is undeniable that global demand is weak, as a result of population ageing worldwide. It is true that firms in the digital economy create few jobs and that there are still 200 million unemployed in the world. Today, the leading three US companies by market capitalization ($1,800 billion) do not even total 300,000 employees, whereas, in the mid-1990s, the big three automotive companies had a market cap of less than 2% of this total but employed 1.2 million workers.

US economist ***Robert Gordon*** considers that the growth period of the past 250 years is unique, that the world has not made any major progress in the past several decades, and notes a slowdown in productivity gains since the eve of the first oil shock in 1972, caused by population ageing, the diminishing effects of education and the costs of damage to the environment. ***Lawrence Summers***, an economist close to Bill Clinton, refers to 'secular stagnation', masked until 2008 by the credit and real estate bubbles and attributable to population ageing, the accumulation of savings and insufficient investment opportunities. ***Paul Krugman*** criticizes the ineffectiveness of monetary policies and the liquidity trap caused by these cash injections. ***Jeremy Rifkin*** considers that markets are starting to give way to networks, and forecasts that capitalism will be brought to its knees by competition from the sharing economy as Airbnb, Blablacar and other crowdsourcing players expand. So, there is great pessimism among these four renowned economists, that could be attenuated by deciding to increase the retirement age, to step up spending on education to overcome residual pockets of illiteracy, and to implement environmental policies to stimulate growth.

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But let us not focus excessively on the sluggish growth of industrial production in the developed countries, because they are service economies. Let us not worry too much about the slowdown in investment rates, because present-day growth consumes less capital. Let us not be too anxious about productivity because, in the digital economy, it is not easy to measure. Let us not be too alarmed by the slackening of economic growth, because although it is irrefutable, it is clearly difficult to assess. The national accounts, designed to record quantities, are just as unfit for subtracting the harmful impacts of environmental damage as for measuring the improvements in product quality and productivity generated by digital technologies.

- The challenge of globalization and slower growth in global trade:

  There are several aspects to globalization. First, it has facilitated and encouraged the establishment of large groups. In the United States, for example, the revenues of the hundred leading companies exceeded 45% of GDP in 2013, whereas in 1994 they were equivalent to only one-third of GDP. Second, according to the UNCTAD, the volume of goods transported by sea increased from 3.6 billion tonnes in 1981 to 8.7 billion tonnes in 2013, but this did not prevent overcapacity in the container sector from reaching 30%, and significant losses in sea transport. The third illustration of globalization is an increase in the number of foreign tourists, from 50 million in 1950 to 1.2 billion in 2016. Finally, a fourth aspect of globalization is that multinational firms account for 25% of global GDP and foreign direct investment (FDI) has increased significantly, from $55 billion in 1980 to $690 billion in 1998, $1,400 billion in 2000 and $1,800 billion in 2007, but $1,525 billion in 2016 due to a decline in the fraction intended for emerging countries (to $600 billion, i.e. -20%). And the latter figure points to a trend. Although for a long time there was significant growth in investment in emerging countries, not just in China, to take advantage of low labour costs, this is undoubtedly a thing of the past.

  In the developed countries, while the large cities have adapted to globalization, the outskirts of the cities and rural areas are increasingly critical of this globalization and complain of job losses and a loss of purchasing power. ***Paul Samuelson*** expresses the view that free trade causes wage levelling and job losses. While the elite and young people are developing a global culture which weakens the national reference system, the rest of the population seems to be mostly reacting against globalization. A topical illustration of this is the result of the US elections: in 88 of the 100 largest cities a majority voted for Hillary Clinton, while in the rest of the country a majority voted for Donald Trump. It is not a clash of civilizations as defined by ***Huntington***, but rather a divergence between advocates and opponents of a global civilization. Until recently, a country’s culture was a heritage defined by a history and a geography. In the idea of a world culture, some will see dilution,

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others richness, an opportunity or an illusion, a melting pot of ideas or a withdrawal into a cultural identity. A convergence of life styles or a new incarnation of Western dominance, everyone can have their own analysis grid.

But it cannot be forgotten that, in an economy, three-quarters of jobs are in protected sectors, mainly in services. While offshoring has caused manufacturing job losses, this remains marginal, because many manufacturing sectors, such as cement, building materials, etc., are relatively unexposed to international competition and because manufacturing job losses are primarily due to productivity gains and to the outsourcing of certain functions.

The challenge of global trade which is no longer an engine of growth, and the protectionist threat:

Until the 2000s, global trade grew twice as fast in volume terms as global GDP. In 2016, it is growing about half as fast. According to the IMF, three-quarters of this slowdown can be explained by the economic situation, and the remainder is due to skewing towards service economies, changes on production lines, robotization and protectionism.

Who stands to lose from protectionism?

Governments' difficulties in managing the crisis arouse doubts concerning economic sovereignty and give rise to protectionist temptations. And yet, if global trade stimulates growth and innovation, protectionism impoverishes it because import prices are increased by tariff barriers and exports are penalized by retaliatory measures. While exports create jobs, imports destroy them.

Those most exposed to any protectionist measures would be small countries such as Ireland, where 55% of GDP is generated by exports, and emerging countries dependent on policies to promote exports. The next most exposed would be Germany, which exports 36% of its GDP, whereas France and Italy are dependent on exports for only 20% of GDP. Those spared even more would be large countries like the United States and Brazil, which generate only 11% to 13% of their GDP from exports.

From a stock market viewpoint, widespread adoption of protectionism would lead us to focus our investment strategy on the big domestic markets: Europe, China and the United States.

Why would protectionism make no sense in the United States?

A protectionist policy would make no sense for the United States, because the country remains the leading economic power and because US multinational firms dominate trade. We should not merely consider the size of the US trade deficit with China ($347 billion in 2016) or manufacturing job

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losses caused by offshoring by US companies in China. If the taxes applied to steel in the United States have not prevented US employment from decreasing in this sector, this is because other factors prevail, not only innovation but also productivity gains. If Donald Trump applies his policy, a parallel could be established with the world of the mid-1930s, after the enactment of the Smoot-Hawley Tariff Act in the United States. If Donald Trump cancels the Trans-Pacific Partnership, he will not have understood the objective of Barack Obama, who saw the agreement as a means to contain Chinese influence and was able to impose on his partners guarantees such as child labour regulations, the establishment of a minimum wage in each of the countries and a commitment to protect intellectual property. By withdrawing from the Trans-Pacific agreement signed a year ago with twelve countries to counter Chinese influence in Asia, the US offers China a great card to play, and it is in this sense that the Australian Prime Minister has opened the door to negotiations with China. By putting up tariff barriers against China and Mexico, the United States would impact one-quarter of US foreign trade, run the risk of retaliation and undermine the Mexican regime which could fall into the hands of populists. Contrary to what Donald Trump declares, protectionism would not generate prosperity but would result in rising product prices and would therefore impoverish US consumers.

Why would it be a mistake to tax imports?

Donald Trump wants to combine a cut in corporate taxes with the introduction of a 15% ‘border adjustment’ tax on imports. In their effects, the two measures resemble an export subsidy coupled with a VAT increase, but these two measures would probably be offset by an appreciation of the dollar, and therefore neutralized. Should globalization be blamed for the decline in manufacturing employment? No. It is only a minor cause of this decline, the two main causes being increased productivity and the skewing of demand towards services. The big manufacturing countries, such as Germany and Japan, have highly-globalized production lines. The industrial nationalism advocated by Donald Trump is in conflict with this specialization approach and will be ineffective. Manufacturing industry accounted for 30% of jobs just after the Second World War, and 8% at end-2016. Not that the number of jobs has declined (it has remained stable at around 13 million in 1950 and 12 million today, but a hundred million jobs have been provided in services (increasing from 30 to 133 million) and, in particular, there have been very substantial productivity gains which have enabled production to increase by a factor of more than six. Chinese competition has impacted scarcely 2% of total employment.

History teaches us that trying to protect declining sectors is often a waste of time and effort, running the risk of retaliatory measures against growth sectors: Do struggles to protect the automotive industry have a future at the very time when young city dwellers are turning their backs on cars and ride sharing is destined to increase? It would be better to spend the same money on improving training in the sectors of the future.

- What should we think about Brexit?
  Teresa May's position is not coherent. She asserts that she is an advocate of free trade, alright, but then why leave the European free trade area which is the leading commercial power in the world? She wants to move closer to the United States, and why not, but is that not illusory at a time when US policy is one of withdrawal? So, caution regarding this market.

- Should we fear inflation?

  No, because in addition to the reasons described in detail in our previous reports there is the idea that the digital economy will represent an increasingly large proportion of wealth creation. But the barriers to entry in the digital economy are lower than in conventional manufacturing industry, competition is keener and there is constant innovation. So, there will be no need to buy inflation-linked bonds.

- The challenge represented by public debts:

  At the end of 2016, OECD debt reached 74% of GDP, a level that has almost stabilized, because net issuance will not exceed $800 billion in 2017. This stabilization is largely due to negative interest rates on $10,000 billion of this debt, in Japan, Germany, Switzerland and France.

  Although one may dispute ***Carmen Reinhart's*** view that, above 90% of GDP, public debt would be a problem, if we reason in terms of net debt and not gross debt, and if one accepts that the concept of the sustainability of debt, i.e. the relation between the real interest rate on the debt and the growth rate of the economy, is preferable to the concept of solvency, we cannot ignore this spiralling growth of the debt burden, especially since it does not allow GDP growth to be maintained. Therefore, avoid fixed-income investments in public debt.

- Are there grounds for stigmatizing finance?
  Yes, if we consider that finance was the cause of the 2008 crisis, if we recognize that a large proportion of the increase in public debt has resulted from the problems of a banking sector grappling with excessively high private debt. Yes, if finance is causing increased inequalities.
  But finance is also the solution, because capital markets respond to needs. If the free movement of capital was partly responsible for the crisis, the globalization of finance also facilitated capital flows and foreign direct investment. If free movement makes fiscal redistribution policies more complicated this is because population mobility has increased.

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Societal challenges:

We will analyse successively technology, inequality, doubts about the role of the State, education, water, population ageing and immigration.

- The technological challenge:
  History teaches us that growth is less the result of investment and volumes than of innovation. Innovation, as ***Schumpeter*** explained, has always been a driving force, but its role is now essential, and ***Shimon Peres*** even asserted that the revolution brought about by Mark Zuckerberg with Facebook has greater consequences than the Communist revolution. Innovation will remain a key factor of success, because everywhere, even in emerging countries, there has been a sharp increase in the number of researchers and, in certain sectors, Chinese or Indian research equals that of the developed countries.

  The Web will further transform relations with transport, travel, commerce, housing and knowledge. But, if the platform economy of Uber, Airbnb and Netflix threatens the traditional alternatives of taxis, hotels and the audio-visual sector, the destabilization this causes must be managed. Robotization is also a challenge in some sectors, but on the whole it is less a cause of unemployment than rigidities in the job market and shortcomings in training. It is essential to organize the occupational conversion of employees made redundant and the training of those people demoted by technology. Robotization should allow greater flexibility of production and hence leaner stock management.

- The challenge represented by inequalities:
  Inequalities are a result of low growth in the income of the less skilled, as a consequence of the decline of trade unions and the expansion of the digital economy. Are they an obstacle to growth? Yes, if increasing inequalities lead to a contraction in demand, because the marginal propensity to save is higher for the more affluent. During the post-World War II economic expansion, under a Fordist system, employees were well paid and shareholders were sacrificed. Since the 1980s, it has been the opposite. The system has changed, the weight of manufacturing and the number of industrial workers have declined, making way for the service sector and unskilled jobs, so that some have spoken of a transition from proletariat to precariat.
  In the United States, in 1978 the average salary was $48,000, in 2013 only $34,000, and so to maintain its purchasing power, the middle class had no other solution than to borrow, women increasingly had to work, and some tried to combine several small jobs. Accordingly, the number of

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poor people in the United States increased to 48 million, i.e. one-seventh of the population. At the same time, according to ***Robert Reich***, the annual income of the wealthiest 1% increased from slightly less than $400,000 to $1.1 million. Between an impoverished middle class and an affluent class enriched by high savings rates, it is not hard to understand why, in an economy like the United States where consumption accounts for 70% of GDP, growth is slowing.
Widening inequalities are also affecting emerging countries. In China, the official ideology advocates equality, but although the country has apparently avoided a large number of slum areas, the reforms have produced one of the most inegalitarian societies.
On the scale of the planet, extreme poverty, those who earn less than $1.9 per day, is now less than 10%, i.e. 700 million in 2015, but around 780 million people are still under-nourished.

- <u>Doubts about the role of the State</u>**:** ***"We should ask more of taxes, and less of the taxpayer," Allais***.

This saying by Alphonse Allais puts in a nutshell the uncomfortable position of the State, caught in a stranglehold between taxpayers' allergy to taxation and citizens' demand for protection of the social welfare system.

Reforms:

In recent years, left-wing governments have accomplished reforms that right-wing governments were unable to have passed: examples are Gerhard Schroeder's labour law, Bill Clinton's reduction in taxes on investment income, and Tony Blair making labour regulations more flexible.

But this ideological convergence between the centre-left and the centre-right caused a surge by the extremes. The far right, polarized against immigration and the presumed harmful effects of free trade. And the far left, wanting to combat austerity and reduce inequalities.

Poverty is a danger for elected governments because a disadvantaged population will eventually vote against its rulers. Because of globalization, politics has been destabilized by expectations which extend beyond the space of solutions, and politicians are losing legitimacy with the impression of abandonment that is expressed by middle classes attracted by populism. In response, in the United States David Osborne has increased the minimum wage, and Barack Obama did likewise, but how can capitalism and the social contract evolve if the mechanisms of redistribution can no longer be based on access to employment? A 'successful globalization', to use an old expression of ***Alain Minc***, must provide compensation for the losers (wages, vocational training and welfare benefits). This is true for both China, which remains a poor country with a growing number of rich people, and the United States, a rich country with a growing number of poor people.

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Weakening of the social welfare system:

Financing the social welfare system poses a problem. While everyone agrees on the need for the State to maintain social cohesion and ensure the public welfare, the question is: At what cost? How to switch from more State to a better State? What could be the role of the social welfare system? What could be the effectiveness of an economic policy in indebted countries?

Bearing in mind that a pension is deferred remuneration, which together with wages constitutes one of the two components of the employment contract, it is not easy to lower pensions.

The idea of a minimum income:

Faced with the difficulty of creating jobs, some look to the idea of a minimum income. A liberal such as Milton Friedman, who saw the minimum wage as a law which makes it illegal to hire an unskilled worker, was favourable to this. But the cost would be high. In the United States, for example, $10,000 awarded each year to each adult aged over 20 would represent $2,400 billion, or around 15% of GDP. In France today, minimum welfare benefits are received by 4 million people and cost €25 billion. A universal income would cost between €330bn and €700bn depending on whether the income awarded was €500 or €1,000 per month.

Tax competition between countries to attract the richest companies or individuals cripples the public finances and penalizes social welfare. Tax competition swells budget deficits and makes it necessary to enact spending cuts which undermine social cohesion and boost populist parties. According to the OECD, tax optimization amputates the world's $2,400 billion of annual revenues from corporate taxes by 5% to 10%.

- <u>The education challenge</u>:

  When there are 200 million jobless in the world, of whom 75 million are in the 15-24 age group, extra education is required, even though the number of children not attending school fell from 106 million in 1999 to 61 million in 2010. When, in the United States, over 30 million people, or 10% of the country's population, are illiterate, and when, in France, 150,000 young people leave school each year with a poor mastery of reading and writing, one is bound to query the effectiveness of education policies. When, in Africa, one-third of the children do not complete primary school, there can be concerns about future employment.

  The advent of digital technologies and the development of MOOCs, which benefited around 35 million people in 2014, are starting to radically change education. Ultimately, spending on education is expected to increase and exceed the current level of 5.8% of GDP seen in the OECD. The Scandinavian countries are already making a bigger effort, because Denmark devotes 8.7% of

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its GDP to education, and Sweden 7.3%. The emerging countries realize the need for more effort. In China, for example, spending on education has increased from 2.5% of GDP in 2000 to 4%.

The shortfall in education spending is flagrant when making a parallel with spending on arms, especially in some emerging countries such as Saudi Arabia which have large defence budgets. Even in the United States, there is a significant disequilibrium; ***Jeffrey Sachs*** compares the €1 billion for education with the $900 billion for defence in the broadest sense, including $600 billion for the Pentagon, the CIA, homeland security and the cost of war veterans ($160 billion).

- The challenge of water:

A shortage:

After the fears of a shortage of oil, or 'black gold', at the end of the 20th century, there are now fears of a shortage of water, or 'blue gold'. The major problem is the purification of water, because although 70% of the planet is covered with water, only 1% is potable and consumption is increasing rapidly in the emerging countries, especially China and India.

According to the World Bank, around 1.6 billion people live in countries suffering from a scarcity of water, and this figure could double within twenty years. Already, it is estimated that more than 300 million people do not have access to clean water.

Major progress can be expected in irrigation techniques, and this can only be beneficial, because 80% of the water used each year is for irrigation, with the remaining 20% being used by industry and households.

Political risks:

In some regions, access to water could pose a political problem, or even cause conflict. Consider Egypt, dependent on the Sudan for nearly all its water supply. It refers to the Treaty of 1929 which grants it two-thirds of the river's water resources and grants it a right of veto over dam projects. Since 2005 it has had a water shortage, and this problem is expected to become more acute, because in 2025 Egypt will have 95 million inhabitants. Given that the Nile supplies several countries including two very big ones (Egypt and Ethiopia) and bearing in mind that the population there has increased five-fold in the last 50 years, and that the countries bordering the river deny Egypt this right of veto, the solution would be to recycle the river water, but who will fund this project? There is the same problem in Tibet, which interests China because it is the source of the Ganges, the Mekong, the Indus and the Brahmaputra. China is building dams on the Mekong, and this worries

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Vietnam, Cambodia and Laos, located downstream. Finally, don't forget the Golan Heights, disputed between Israel and Syria and the source of numerous tributaries of the Jordan River.

- The challenge of ageing populations:
  The slowdown in growth:

Population growth has not been the problem that many feared, because although the world's population has increased rapidly from 1.6 billion in 1900 to 7.5 billion today, famine has practically disappeared. However, the simultaneous occurrence of weak productivity growth and a stabilization of the working population helps explain the slowdown in economic growth.

This population ageing causes problems, because if the world's population is stabilized at 2 children per woman, at 1.5 children per woman it declines by 25% per generation.

This population ageing, which varies from one country to another, will have an impact on geopolitical balances, favouring India whose population will exceed that of China by 2030, and adversely affecting a country such as Russia, whose population will be the same as Turkey's in fifteen years' time.

Increasing health expenditure:

Life expectancy has increased significantly worldwide, from 47 years in 1965 to more than 71 in 2015, and what is encouraging is that the gap between developed countries and emerging countries has been reduced (from 23 years in 1950, it has fallen to 10 years in 2015). Healthcare systems are expensive, accounting for 9% of GDP in Sweden and Italy, 11.5% in France, more than 17% in the United States, and it is not easy to control spending because regulated tariffs often prevent competition with regard to benefits or choice of medicines. Although the United States spends more than others for healthcare, its life expectancy is nevertheless lower than in the other developed countries, and it has been stagnant for the white population since 1990.

Pension funding:

The under-provision of pensions therefore poses a problem. In a study of 20 OECD countries, Citigroup assesses the scale of this under-provision at $78,000 billion, a figure to be compared with their gross public debt of $44,000 billion. Hence the need to postpone the retirement age.

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The consequences:

Population ageing goes hand-in-hand with a divide between young and old. This is perceptible in the breakdown of home owners. In France, for example, 56% of home owners are aged over 50 and only 14% are under 34, and it is clear in the growing relative weight of the over-60 age group, 16% in France in 1950, 25% at present, and 30% in 2030.

Finally, apart from inequality in the distribution of wealth, population ageing results in changes in consumption, more spending on health and pensions, a less seasonal demand for leisure activities than for the rest of the population, and new services, especially for domestic help. One way for a country to offset the negative effects of population ageing is to accept immigration, but that can lead to other problems.

- The migration challenge: This subject is sensitive, and calls for four comments.

Virgil recounts that ***Aeneas*** fled the City of Troy in flames to go and find Rome. So, as the philosopher ***Sloterdijk*** reminds us, it was, as it were, a refugee who founded Europe, but Europeans seem to have forgotten this.

The relatively low level of migration to Western countries:

Migration represents only 3.5% of the global population, scarcely more than the 2.5% rate recorded in the 1960s and far less than the 7% observed at the start of the 20th century. As a reminder, between 1870 and 1930, 51 million Europeans and 2 million Asians left for the Americas. One of the largest diasporas at present is the Mexican diaspora, with more than 20 million emigrants.

In recent years there has been an acceleration in migration and, apart from the recent example of the Syrian population, the biggest migrations have been those of Filipinos to the Middle East and Asia (1 million in 2012), and of Indians, 750,000 outside the OECD. The two points to be noted are that more than 80% of migrants go from one emerging country to another emerging country, and so Europe receives only a small percentage of them. The pattern is the same in the United States, where legal and illegal immigration represent only 1 million per year, or 0.3% of the population, i.e. nearly all of the annual population increase estimated at 0.4% per year.

The cost-revenue balance:

It is sometimes hard to recognize it, but immigration does not represent a cost for the host country but a wealth, because many of those arriving are adults, already educated and employed, and therefore help to

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finance pension systems. Conversely, the exile of skilled people slows down productivity gains in the country of emigration, and capital outflows increase the cost of capital there.

Europe’s population represented 25% of the global population in 1950, less than 7% at present and, according to Eurostat, excluding immigration, it can be expected to decline by one hundred million by 2080. Those most affected by the population decline will be the Central European countries, because by 2050 the UN estimates that the population will decline by 5.5 million in Poland, 4.3 million in Romania and 1.5 million in Bulgaria. And it would be futile to imagine, like Poland’s rulers, that a prohibition of abortion will be sufficient to revive the birth rate. Attitudes to immigration can therefore be expected to eventually have to change.

Consequences for employment:

Immigration is not the cause of unemployment. When a country like France receives 200,000 people each year, only 10% of whom work, this number remains insignificant compared with the working population. As regards refugees, 35,000 in France in 2016 for example, that represents the equivalent of one per local body. Migrations undoubtedly generate upward pressure on housing prices and downward pressure on unskilled wages, but research in the United Kingdom has shown that immigration had created jobs and generated more revenues than expenses, not to mention financing of the social welfare system. In the United States, a recent study by the Academy of Sciences shows the positive contribution of immigration, because the annual flow comprises a higher percentage of workers aged between 25 and 64 (65%, versus 52% for the US average) and a lower percentage of those in the over-65 age group (5%, versus 15% for the national average). Not to mention the high birth potential, because while the labour force grew by 1.4% per year between 1965 and 2015, over the next two decades, according to the Pew Research Center, it will grow by only 0.3% per year.

The outlook:

Migratory flows are expected to increase, because the population of Africa, currently 1 billion, will reach 2.5 billion in 2050. Moreover, job creations are insufficient to respond to annual needs of 25 million jobs, soil depletion in the Sahel will curb the rapid development of agriculture, and manufacturing industry, normally a job provider, accounts for less than 10% of GDP.

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Conclusion: ***"It seems like the old world is ending and the new one is beginning. I see the reflections of a dawn whose sun I shall not see rising," Chateaubriand*** (end of the Memoirs)

- Politically, between declining expectations and rising doubts, democracies are unfortunately more vulnerable than was thought, because they pay tribute to short-termism and because, between freedom and safety, citizens will sacrifice a bit of freedom. This reminds us of the words of ***Benjamin Franklin: "Those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety and ultimately lose both."*** Governments, facing increasing competition from multinational firms, large metropolises and supranational entities, have less and less fiscal power and capability for financing public action. Without much means of action, rulers are therefore being undermined.

- Socially, the present industrial revolution, like the previous ones, is disrupting the social order. As in the Renaissance, and as in the Belle Epoque at the time of the second industrial revolution, some are winners from the change, while others feel demoted. Yesterday, the losers were aristocrats, small businessmen and farmers; the winners were the middle class. Today, the losers are the middle class, wage-earners, while the winners are educated urban consumers, adapted to globalization; the former are yielding to populist sirens, while the latter remain faithful to the established order. Competitive positions are also more vulnerable. A business can cross the threshold of profitability faster because the digital economy has low capital intensity, but dominant positions can be quickly jeopardized because consumers are more fickle in their tastes.

- Economically, although the excesses of China's strong growth, environmental and other damage, have been deplorable, with 20% of arable land polluted and many deaths due to pollution, the non-growth or negative growth proposed by some could not be a solution, because such a situation would increase frustration and not be able to reduce poverty.

- Geopolitically, ***Nye*** has shown that power is not restricted to the use of armed force and that growth can no longer be analysed in terms of demographics or GDP. The United States and the US stock market remain dominant, because they combine technological leadership with economic power, military might and a reserve currency. It is harder for them to exercise their 'hard power', but they still have the 'soft power' exercised by the media, international information channels, university faculties which attract foreign students, the arts, and the dissemination of their national language overseas.

Banque Eric Sturdza SA • Rue du Rhône 112 • Case Postale 3024 • 1211 Genève 3, Suisse

T +41 22 317 9811 • F +41 22 310 3880 • www.banque-es.ch