

Transcript — America's Next Crisis: George Friedman on Immigration, Technology and the Workforce

Christian Smith: Hello and welcome to this podcast from Geopolitical Futures. I'm Christian Smith. America is in the midst of a political, social and economic storm. That storm won't last forever, but what does the calm after the storm look like? Well, in his book, the Storm before the Calm, Geopolitical Futures chairman and founder George Friedman explains the challenges that low birth rates and longer life expectancy will bring to America. The challenge of demographic change is not a new one, but it is growing in significance and awareness. So today on the podcast we shift away from the news cycle to look at the longer term problem facing American and even global society demographics.

Christian Smith: I'm joined again by George, who is currently in Seoul, South Korea at the Dong A Media Business Forum. George, good to have you back.

George Friedman: Good to be back. Still in Korea, but good to be back.

Christian Smith: George, your book the Storm before the Calm is based around the idea of two cycles that affects the US body politic. We've covered them in depth before on this podcast, but just for new listeners, perhaps you could briefly remind us what they are.

George Friedman: Well, there's a 50 year cycle, that's the socio adapt one where there's a social crisis, usually cultural one, alongside of a economic crisis. And what we're seeing right now obviously is both. There's also an institutional cycle, 80 years. So for example, it's been 80 years since the emergence of the federal government at this current forum, after first World War, second World War, I should say. And when we think about that, we see the first time in American history that the institutional cycle and the socioeconomic cycle hit bottom at the same time. Therefore, what we're seeing today in the person of Donald Trump, but outside of him, it would be anybody in this position is trying to both restructure the institutions in the United States and the social fabric of the United States as well as the economic.

Christian Smith: And I suppose, I mean anybody looking at US politics or US Geopolitics at the moment can see the sort of battles raging significantly more than we're used to in the US now. While that storm goes on, it rages. Other long term issues are developing and have developed. And George, you believe that demographics will be a key challenge, perhaps the key

challenge for the next American cycle. I mean the US perhaps in the 2000-30s, if we're through the storm by then and beyond, talk us through the problem there.

George Friedman: Well, when you look at the socioeconomic crisis, you look at two things. You take a look at the cultural nature of the society and you take a look at the economic nature, the fundamentals of both are demographics. So we reached a very radical point this time where there are more deaths than births. The birth rate is way down, but at the same time, life expectancy is far longer. So we now have a situation where the elderly live a lot longer, but tend not to be so productive, whereas there are fewer children coming to build a workforce. So we're going to have a contracting workforce. We're going to have a lot of people who consume without producing and not enough producers to handle that. And that's a basic social crisis. We've had these crises before along various lines, but this is the first time we. When it's a population crisis, one of the reasons is that there's always been, when there was labor shortages, lots of immigration into the United States. Right now we have a social crisis trying to limit that immigration to the United States. But over the next 10, 20 years, 30 years, 40 years, 50 years, we are going to be needing a much larger workforce or some technological solution.

George Friedman: And.

Christian Smith: We're going to come on to immigration in a bit. But just let's look at why, why we're having. I mean, let's start with birth rates. Why, why do you think birth rates are down?

George Friedman: Well, there was a high birth rate in the 18th century, 19th century. First, because in agricultural society, every child that was born could work after five or six, seven years doing something that was the basic labor pool. At the same time, there was a very high death rate for births. Children did not tend to survive. And therefore, two centuries ago, the average amount of children had by a woman was seven. And that was to try to keep this population stable. The birth rate.

George Friedman: Has declined dramatically. Also, the fact that the woman does no longer necessarily have to be having children just to maintain society means a different role for women. One of the foundations of feminism was the fact that the need for massive births in order to overcome child mortality, that was just not necessary anymore. So we have a situation where women who.

George Friedman: Wanted to work, join the workforce had far fewer children, and now we're just not seeing a birth rate matching the death rate. In other words, one of the outcomes

is a declining population. But that's not really the most important thing. The great problem is that the workforce is contracting.

Christian Smith: And, and speaking of contracting, I mean, one of the other reasons I think you've written about as well is that there are. There's less need for children to enter the workforce earlier as well, right?

George Friedman: Well, in agricultural society, you didn't need a whole lot of schooling, you didn't even need to read to be able to be Effective families that owned farms, for example, had lots of children because many of them would die. And at the same time, you'd have many children because you needed a workforce. Now, with technology and everything else, it takes a while to train someone to be able to do it. Sometimes 50 years, 60 years, usually 10 or 20. But you need that workforce, you need time to train them, and therefore you simply, you don't need that many of them, but you need time to train them, and that's going to attract labor force.

Christian Smith: I think you were writing about this for the geopoliticalfutures.com website earlier this week, and I think that article is free to access for anyone. One of the interesting things I read in that was as well, from the other end of the scale, in terms of people living longer, is that the average life expectancy now is 78, whereas the 19th century it was 40. I mean, what's the consequence of that?

George Friedman: Well, the basic consequences is this. At this moment, life expectancy is extending, but the productivity of someone who is 90 years old or 85 years old is somewhat less than if they were 40 years old. So people who live longer at this point, and this will change, I suspect.

George Friedman: Simply are not productive. However, they're massive consumers, particularly medical help and other things of that sort. So you have increased consumption while decreasing production productivity at least, and somehow that gap has to be filled.

Christian Smith: Is the US Unique in this problem, do you think?

George Friedman: The US Is not unique in it. It's a worldwide event happening.

George Friedman: Particularly as agriculture becomes more industrialized. You simply don't need that workforce. Second, as infant mortality declines, you don't have to have that many children at this point. Children are not an economic utility. They're cost. Whereas 200 years ago, they emerge fairly quickly into something that would produce. Now at this point, they're massive consumers for the first 20 years of their lives or so.

Christian Smith: And it's interesting as well. I mean, just as a side note, I find some of the discussions about demographics like this interesting because of course, it's amazing to think about children as an economic resource a couple of hundred years ago, whereas now you sort of need two incomes in most Western countries to support them.

George Friedman: Well, you're having them as one child. The birth rate in the United States is still hovering at about 2, but are coming down very fast and will be fast far less than 2 at the same time. You're having them for emotional reasons, for.

George Friedman: Reasons of faith or whatever. They are no longer in service rejection. They are no longer also limiting the ability of women to join the Workforce, which is stabilizing the workforce. On the other hand, it is a fundamental shift in the human condition and it's very striking. I'm here in Korea and they have that same problem and they're industrial country now and they're facing the same problem. And so is most of the world outside of the agricultural third world in its most primitive form.

Christian Smith: I suppose one of the things that might pop into people's minds is that both in the US and worldwide, look, there are hundreds of millions of people in the us There are billions worldwide. You know, there's never been more people on the planet by a long, long way. Let's say that this trend continues for a long time. Next couple of hundred years or so would we notice with this many people already on the planet?

George Friedman: Well, considering that a workforce is fundamental and not all of this society works in any societies, the contraction.

George Friedman: Of the general population is also the instruction of the workforce. Now, if the workforce contracts faster than the population, there's going to be shortages of various things, things that can't be done.

Christian Smith: Well, let's think of solutions, I suppose. I mean, it's interesting, as you sort of mentioned earlier, George, the questions around demographics have existed in various forms for a long time. I mean, I think in the 60s or so there was an academic school of thought suggesting that there would be too many people to maintain. There was also Malthusianism back in the, I believe, 19th century, about the idea that we were going to overpopulate and not have enough food for people. I think in some ways, some criticism of those approaches was that the underestimation of humanity's ability to adapt come up with solutions. Do you think we have solutions in the back pocket for this forthcoming issue?

George Friedman: Well, there is several ways to look at it. The first thing to remember is that the birth rate is down partly because of birth control. Birth control was the great driver of women into the workforce. When you had four or five children, all of them surviving, somebody had to stay home and culture said it was the woman. Now we have that revolution taking place. But the basic problem is what do we do with this workforce? One thing is to kill older people. I personally oppose this as a solution. The other thing to do is to make the elderly more productive instead of being retiring at 65 or.

George Friedman: 70 or 80, to make them not only live longer, but become more productive. And that's a medical problem. So you can imagine that artificial intelligence, which constantly is promising all sorts of miraculous things like super intelligence, could evolve to take place some of the workforce. But at the same time, workforce has to be creative, has to be imaginative. It's more than just intelligence as it's thought. It's a more complex thing. You need humans. So the problem really is a medical problem. So as the last 50 years was the microchip dominating it and all the things that it produced, and the 50 years before that was the automobile and all the possibilities that created it, seems to be that the next major technology is not artificial intelligence, it is medicine. And along with medicine, material science, we are seeing many dramatic changes in medicine, in medications, due to material science. Material science is an area that uses artificial intelligence as a tool. But what it really does is it re engineers molecules and atoms. It creates things that had never existed, materials that never existed, not only for medicine, but in all sorts of materials. So if there's going to be any technology that is going to be fundamentally needed, it will be a medical technology to not only extend human life, but make it more productive, make people able to live to be 90 or 100 and do so at the same time being productive. And the key to that is going to be medical dimensions of material science. We're already seeing that happen with the number of new drugs that are doing extraordinary things, including making fat people slim. When you take a look at what these drugs can do, you can see the kind of technology that's going to end, is entering the sphere and will be in place, I think, for the next 50 years.

Christian Smith: And I think what's interesting there is that we're already seeing a change in terms of people working, working beyond 65, working longer. I mean, there's a cultural shift that needs to happen there too, of course, because for many people, the expectation is that you retire at that age and perhaps being told not to is not going to be well received.

George Friedman: Well, when 65 became a normal age to retire, you had a life expectancy somewhat below 65. Okay, that's when it came in. When it passed 65, it was past it to 67, 68. Dramatic moves in life, almost two decades longer than retirement age, if you will.

George Friedman: That really changes everything. So 65 was set as retirement age at a time when they didn't have many years left to live and they were already suffering.

George Friedman: All sorts of illnesses. Now that is somewhat subsided. They can live longer, but still the productivity is not there. You get to a certain age, you will not produce, you'll be consuming. Because at a time when you can produce and you're in an old age home or hospital, or even living at home, you're not Producing you're consuming, and when the birth rate goes down, filling the workforce to produce for you, that becomes a problem.

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Christian Smith: And you mentioned AI there before. I think in the next 100 years. You wrote about robotics as well, Compensating for Labor, your book, for listeners who aren't aware of it, the next 100 years.

Christian Smith: But you mentioned yeah there before. Do you see AI and robotics as having a pivotal role there, or do you think it's going to be more about medical technologies and extending life in that respect?

George Friedman: Well, artificial science, Artificial intelligence is basically the foundation of material science in the sense that it allows it to do very complicated things under the management of scientists. Okay, so I regard artificial intelligence as a vital tool in many ways.

George Friedman: Supporting, helping, so on, so forth. I just don't see it as particularly creative in the way that a human being can be creative. So artificial intelligence is a critical way to do material science also. It can substitute for the lack of nurses, perhaps.

George Friedman: Perhaps in some ways in medicine, doing operations. I don't know what it can do, but it's not a substitute for human beings. It's a wonderful tool for human beings to use.

Christian Smith: It's interesting, I know here where I am in London in the UK at the moment, the AI and technology is sort of hopefully seen as the great savior of the medical system in many respects. Not in terms of using robot arms to do surgery, but in terms of just clearing backlogs and making things more efficient. So it's be interesting to see where that

goes. Let me ask about, about birth rates and encouraging higher birth rates. I mean the US Government itself is exploring this at the moment. You know, sort of help encouraging people you need to have more children, you know, and certain ideas like paying, paying a mother \$5,000 for a child or things like that. Could that work? Could that be a solution?

George Friedman: Well, considering cost of raising a child \$5,000 a much.

George Friedman: Considering the stress of having children, there's great pleasures in them as well. But having a house full of four or five children again would not be very easy. In other words, encouraging people.

George Friedman: Means a massive economic commitment to that. And since we're facing an economic crisis because of a lack of productivity, where does that come from? So is the chicken and egg problem in this case. So in some countries, I suppose you can offer \$5,000 and that's a huge amount of money. That's not where the labor shortage really is going to hurt. It's going to be in England or in the United States or in China or so on. And this problem is a fundamental one, because when we talk about a technological world, okay, replacing humans, they can do that in many ways, except that most jobs require the ability to deal with the unexpected. And given that most of the tools we create in commuting and everything else are modeled on what is expected, not the extraordinary, it's hard to see that evolve. I think it's been much oversold and badly so. The founder of artificial intelligence, man who gave the name John McCarthy, regretted deeply having called it artificial intelligence and wanted to call it instead artificial computing or artificial machines or something like that, machine intelligence. That way, all of that was hyped. And at this point I will know very little about all this. I think that those who are rising, trying to raise money and for investment in various areas have overstated, as frequently happens to be the case when these things happen. You have to remember that when the auto industry was reaching its magnitude where it could level, they started thinking about cars that could be boats as well, and cars that could be airplanes as well, thinking that somebody would need a car that could be an airplane. Well, there might be one or two people, but they couldn't sell it.

Christian Smith: But I'd buy one.

George Friedman: When a cycle happens like this, okay, We've had these technological cycles, the caravel, the ocean going vessel. There was then the next generation, the steam engine, then the internal combustion engine, and so on and so forth. They all run their course. Not in the sense that they are not used. They're still used widely, but they no longer revolutionize the economy. Artificial intelligence will do a period of revolutionizing economy,

but it cannot itself replace the workforce and the creativity of the workforce on the whole. Therefore, you're going to need people. Therefore it'll help somewhat, but it'll help mostly in the process of creating solutions to productivity in older age.

Christian Smith: What about immigration then? It's obviously a highly political topic now, particularly in the U.S. but in many, in many countries.

Christian Smith: At the moment, the US has a particularly strict policy on immigration. Might it need a more lenient one to encourage the sort of workforce that it will need?

George Friedman: Well, there's a lot of pressure in certain industries, particularly industries in agriculture and the hotel business, that depend very heavily on new immigrants who are willing to work to enter the workforce at the lowest level. So yeah, you have a problem there. At the same time, not just in the United States, but in Europe as well, Britain as well. Certainly there is a cultural problem. The integration of cultures in Europe are very difficult. They are not used to massive immigration. United States, on the other hand, has built itself on immigration. It knows how to integrate those people. Not as many as came in in recent years, but it can do that. And so in every immigrant phase, the immigrant community comes in is held in contempt. Benjamin Franklin wrote a wonderful pamphlet about how Germans should not be allowed in the United States because they're not suited for civilized society. And when the Catholics from Italy and from Ireland showed up, there was tremendous anti Irish and anti Italian feeling and so on and so forth. So whenever there's an immigration, the first thing is to have contempt for them. The second thing is when their grandchildren become doctors is to go sit with them and say, doctor, can you save my life? So what happens is the United States has this upward mobility for migrants, which I learned since I was born in Hungary, came here as an infant.

George Friedman: But when that happens, it kind of evolves very slowly. But then very surely in Europe you don't have that tradition of building your societies on immigration. So when I look at the Europeans being amazed at how badly the Americans handle it, that's primarily because we haven't had to handle it that way. We had to handle it a different way in Europe. That's where the real crisis is going to become because they have massive problems in demography and are not used to integrating immigrants. This does not touch on the American situation where there was a massive inflow of immigrants. You have to remember the United States up till 1970s, there were quotas on how many people could be admitted to the United States from each country. When we came to the United States, we had to wait a year before we were let in. It was not easy. Then the quotas were gotten rid of in the 70s and everybody was

welcomed in. And the quota was not based on any one culture. But everybody came in and then the doors were opened over the past ten years or so. And this created a different find. So don't compare the American crisis in immigration with the European crisis. The European immigration is much lower in numbers than the United States. On the other hand, Europe is much less suited for integrating them.

Christian Smith: I would say it's interesting, I would say with regards to the uk, perhaps less so than Europe, although I know less about it. But it has A long history of immigration. In terms of people from Russia, people from France, people from the empire that was now the commonwealth. That may be less so, although perhaps not as much less so in Europe.

Christian Smith: In terms of. Well, to finish off, George, let me put to you then. I think I know what you're going to say now. I mean, the US in some ways, like other Western countries at the moment, are discouraging certain or a good number of immigrants. But. But as you say, that kind of ebbs and flows over time in US History, and it may come back the other way. Let me put it to you then, that the US Is actually in the best position going forward to have people move to the US Even if at the moment people may not want to go there as much because it's less of a welcoming place.

George Friedman: It's.

Christian Smith: It's still going to be the richest country in the world with the best education. In many respects, the US Will be able to, if it wants to solve its demographics problem with immigration of highly skilled or specific workers.

George Friedman: Well, the United States is also used to this. Okay. It's important note that Donald Trump's grandfather immigrated to the United States from Germany. His father knew how to speak German, so he was the third generation. He did quite well. So when you think about immigration in the United States, there is the period of loathing you can't believe these people. When the Scots Irish reached here in the 18th century, they were forced to go to the Appalachian Mountains because, frankly, they could never become Americans, it was said. So the United States is an immigrant country. There's no.

George Friedman: No one here who does not trace, except the Indians, who does not trace his past to a migration. There are many in England who go back centuries of being English. So the United States both hates its immigrants and needs them deeply. The Industrial revolution in the United States could not have taken place without the immigration. Remember, it was a third world country in the 18th, 19th century. It was agrarian, nothing else. So in the European

case, there's no model of upward mobility for immigrants in the United States, there is. And because Donald Trump is a perfect case of what immigrant can become over a generation or two in the United States. So I would say it's a very different problem in the sense that the systems of integrating are not there. In the United States, the first system is.

George Friedman: Looking at the immigrants and holding contempt. The immigrants want to stay here, so they model themselves so not to be held in contempt. So when Trump's grandfather showed up here, he was just another German trying to make a living.

George Friedman: His child, his son became quite wealthy because he changed his ways.

George Friedman: Donald Trump has changed him even more strangely. But on the other hand, he became president. So you consider that he can become president after this short period of time. Yes, England is somewhat like that. France isn't.

George Friedman: Germany isn't. So when you look at that, all of them handle them, but it's not a comfortable thing. Therefore, what you see in the United States right now, which is the hostility to immigrants, is also met with a great deal of sympathy for the immigrants. That's sort of the social divides that we're seeing now. And at the same time, it's not unique. It's always been the case. The price you pay for becoming an American is being held and condemned by the one who gave, whose family showed up 20 years before. And so it's a different process, but a very vital one. The Europeans will have a very different task in trying to deal with demographic problem because they also going to need immigrants that they can train and do jobs.

Christian Smith: And therefore the US Is perhaps in a better position if and when it wants more immigration to solve these demographic problems.

George Friedman: Well, for example, the agriculture industry is screaming against Trump for having gotten rid of the Mexicans who were doing such a good job. So did the hotel industry. So did many of the.

George Friedman: Call them the various sales and centers where you would have people doing menial work. So when you look at that, many of those are under terrific pressure and they have expressed their hostility. And these are basic American corporations. They really need them. And so it's what he's doing is not unknown. But the normal end is that after.

George Friedman: The hostility ends, integration takes place.

Christian Smith: George, as always, thanks very much for your time on the podcast and enjoy Korea.

George Friedman: If I don't sleep through it, I will.

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