

The Graying of the Great Powers

Demography and Geopolitics in the 21st Century

Richard Jackson and Neil Howe
Center for Strategic & International Studies
Global Aging Initiative

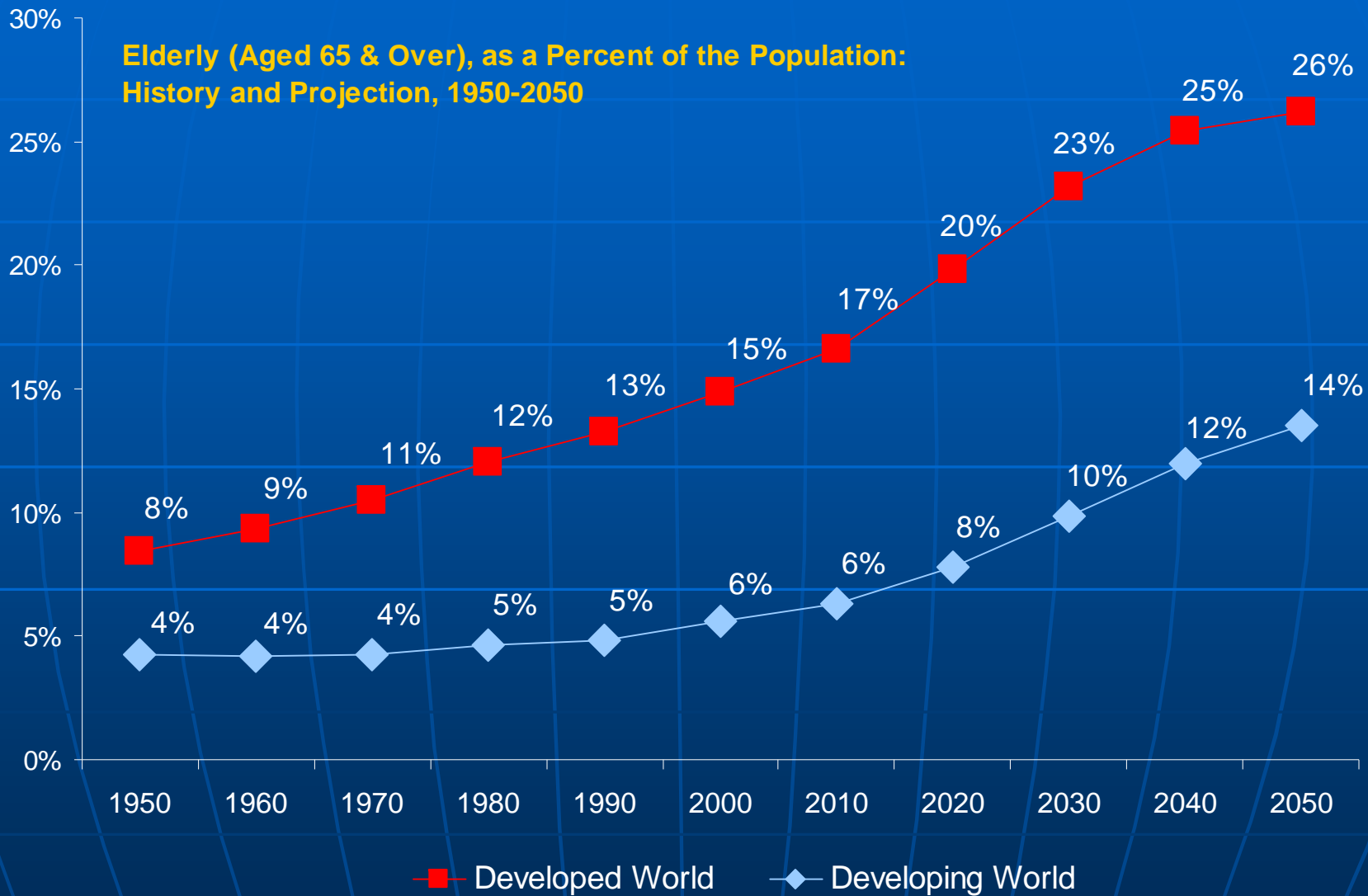
April 18, 2008
New America Foundation



The Developed World: Assessing the Projections

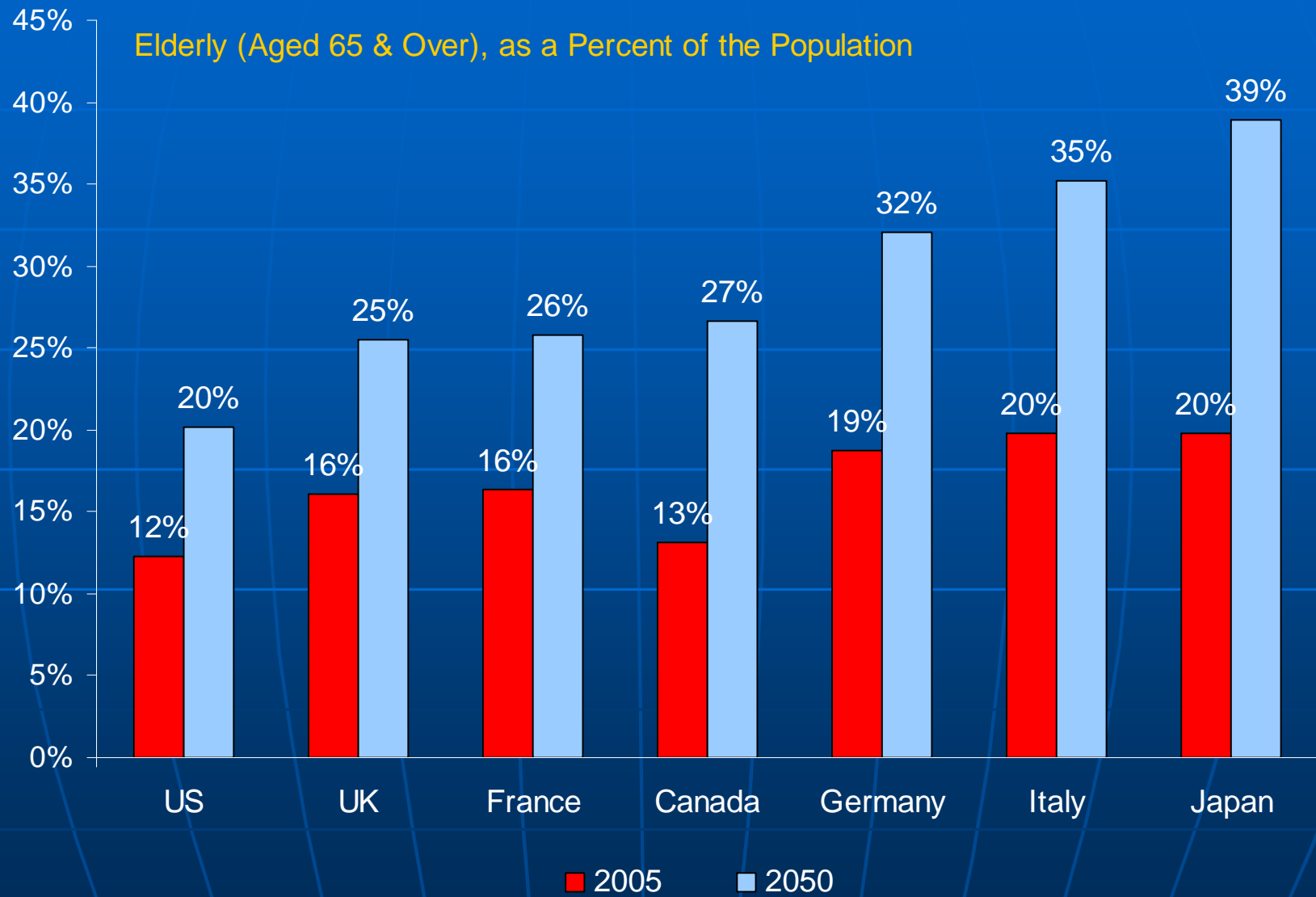
- ❑ **The Whole World is Aging—and the Developed Countries are Leading the Way**
- ❑ **Two Driving Forces: Falling Fertility and Rising Longevity**
- ❑ **Populations in Most Developed Countries Will Not only Age, but Stagnate or Decline**
- ❑ **Generation Gap and Growth Gap between U.S. and Rest of Developed World**
- ❑ **Global Aging: As Close as Social Science Comes to a Certain Prediction about the Future**

Elderly (Aged 65 & Over), as a Percent of the Population: History and Projection, 1950-2050



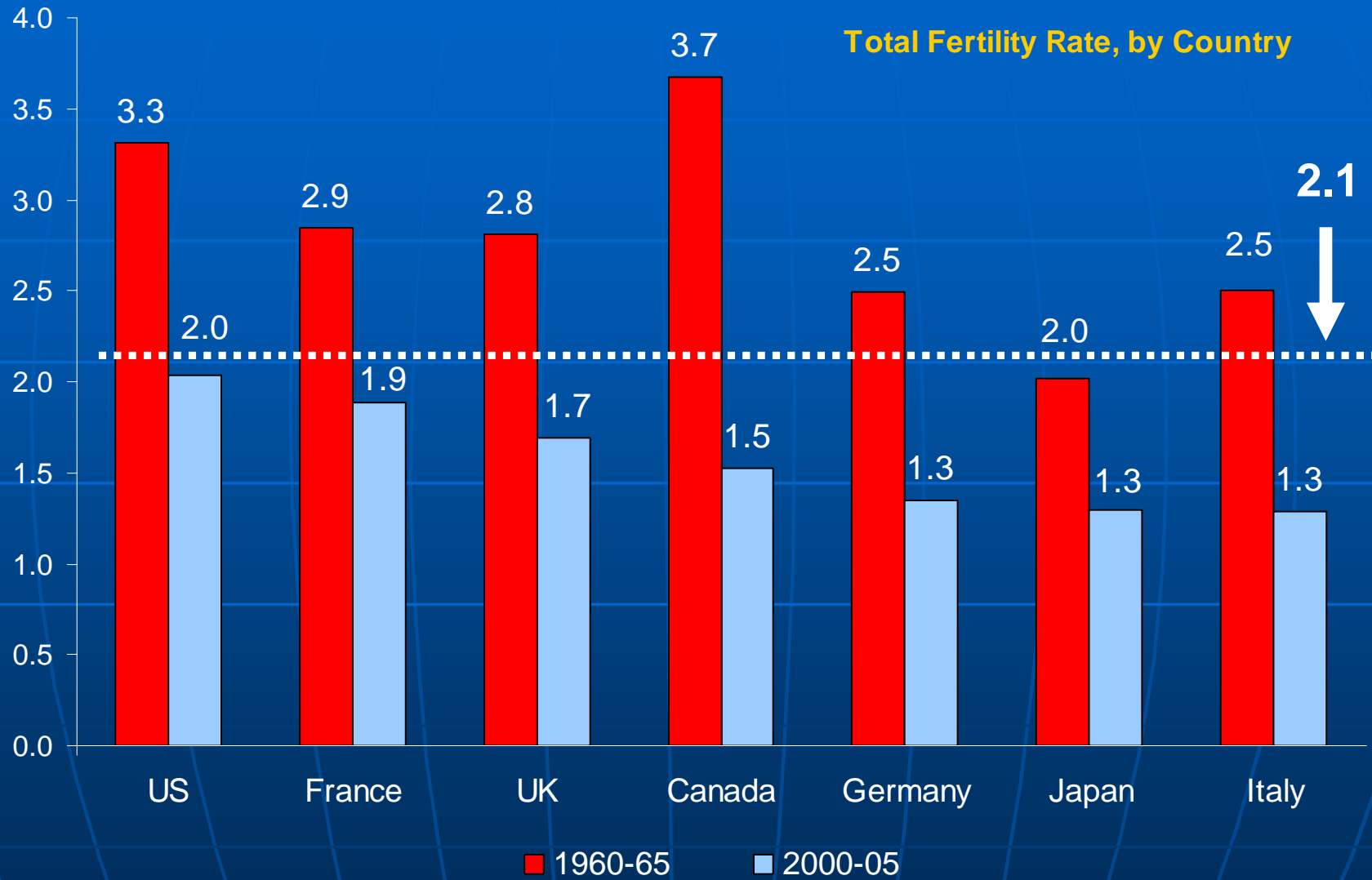
Source: UN (2007)

Elderly (Aged 65 & Over), as a Percent of the Population



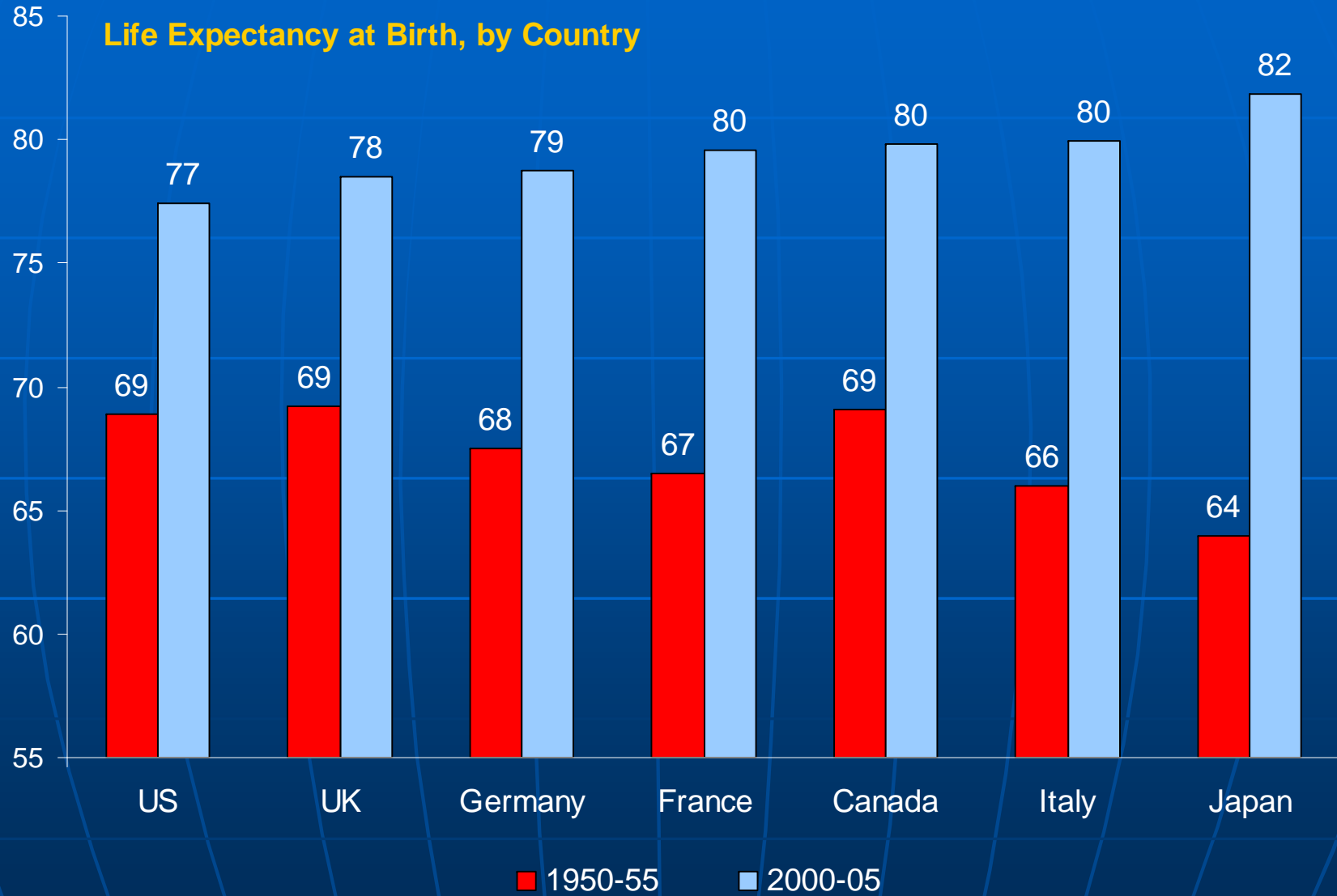
Source: UN (2007)

Total Fertility Rate, by Country



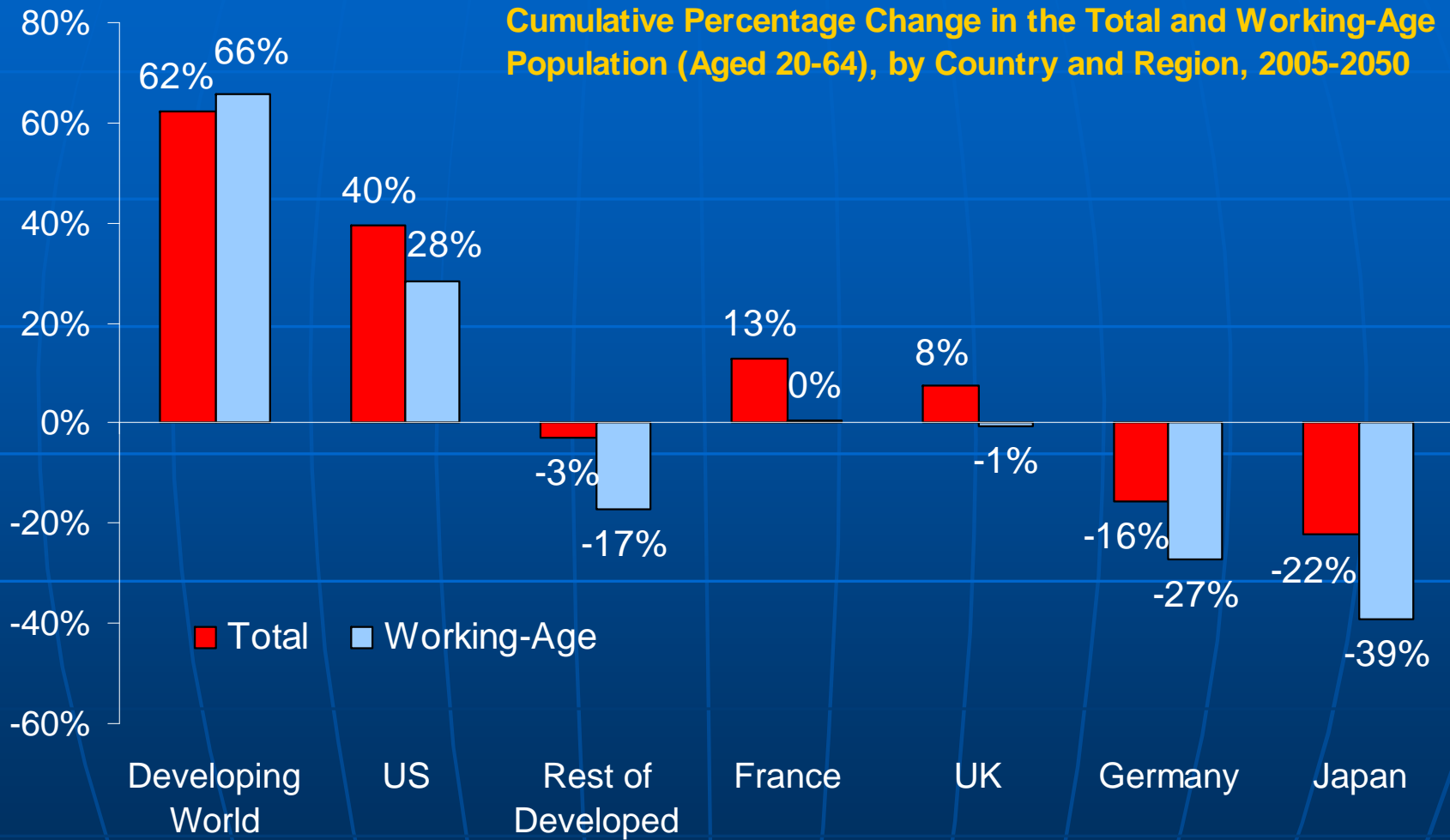
Source: UN (2007)

Life Expectancy at Birth, by Country



Source: UN (2007)

Cumulative Percentage Change in the Total and Working-Age Population (Aged 20-64), by Country and Region, 2005-2050



Source: UN (2007)



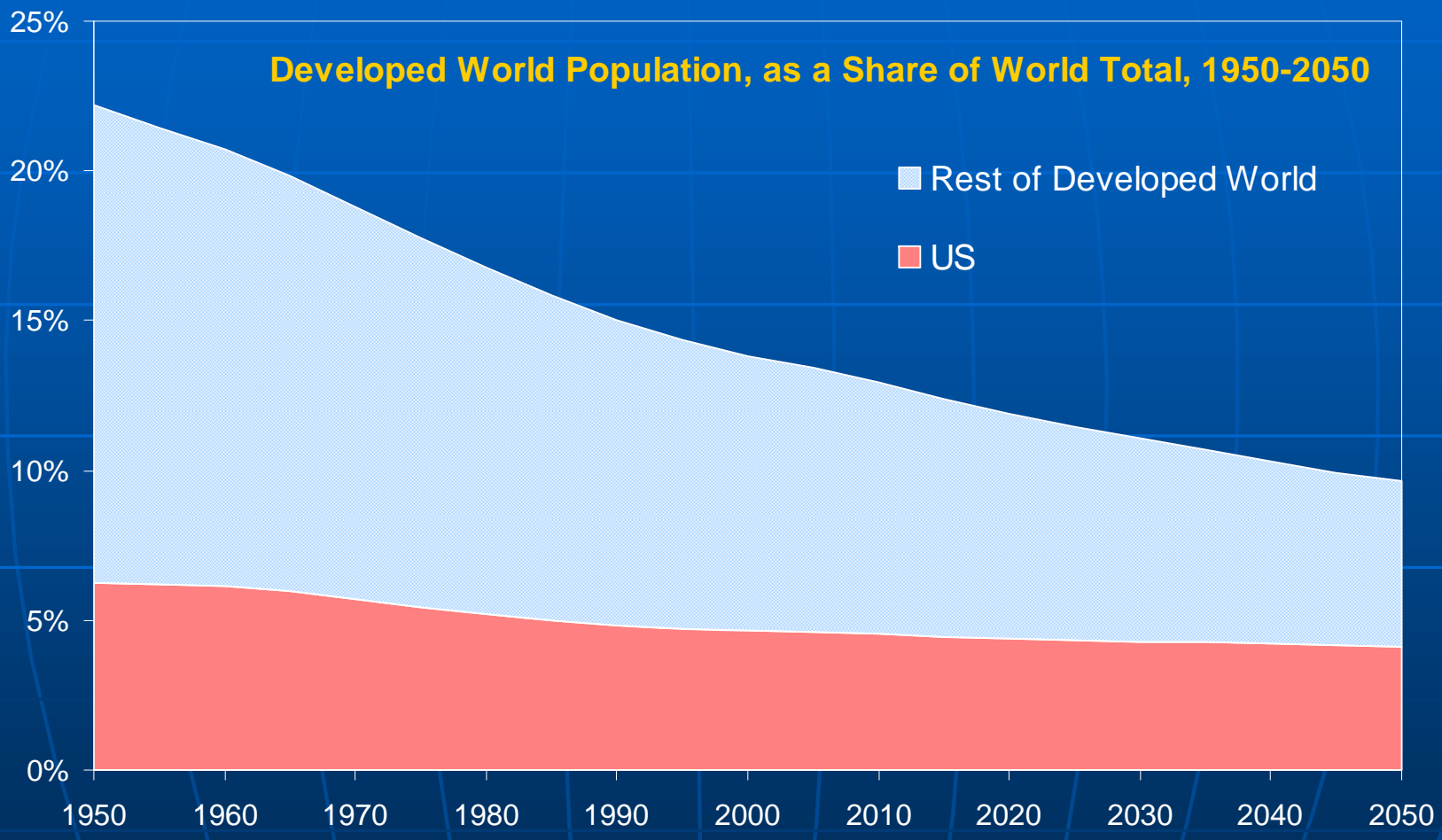
Consequences for the Developed Countries: Outlook

- ❑ **Population and GDP of Developed World: Steady Decline as Share of World Total**
 - Population share: down gradually
 - GDP share: down more sharply

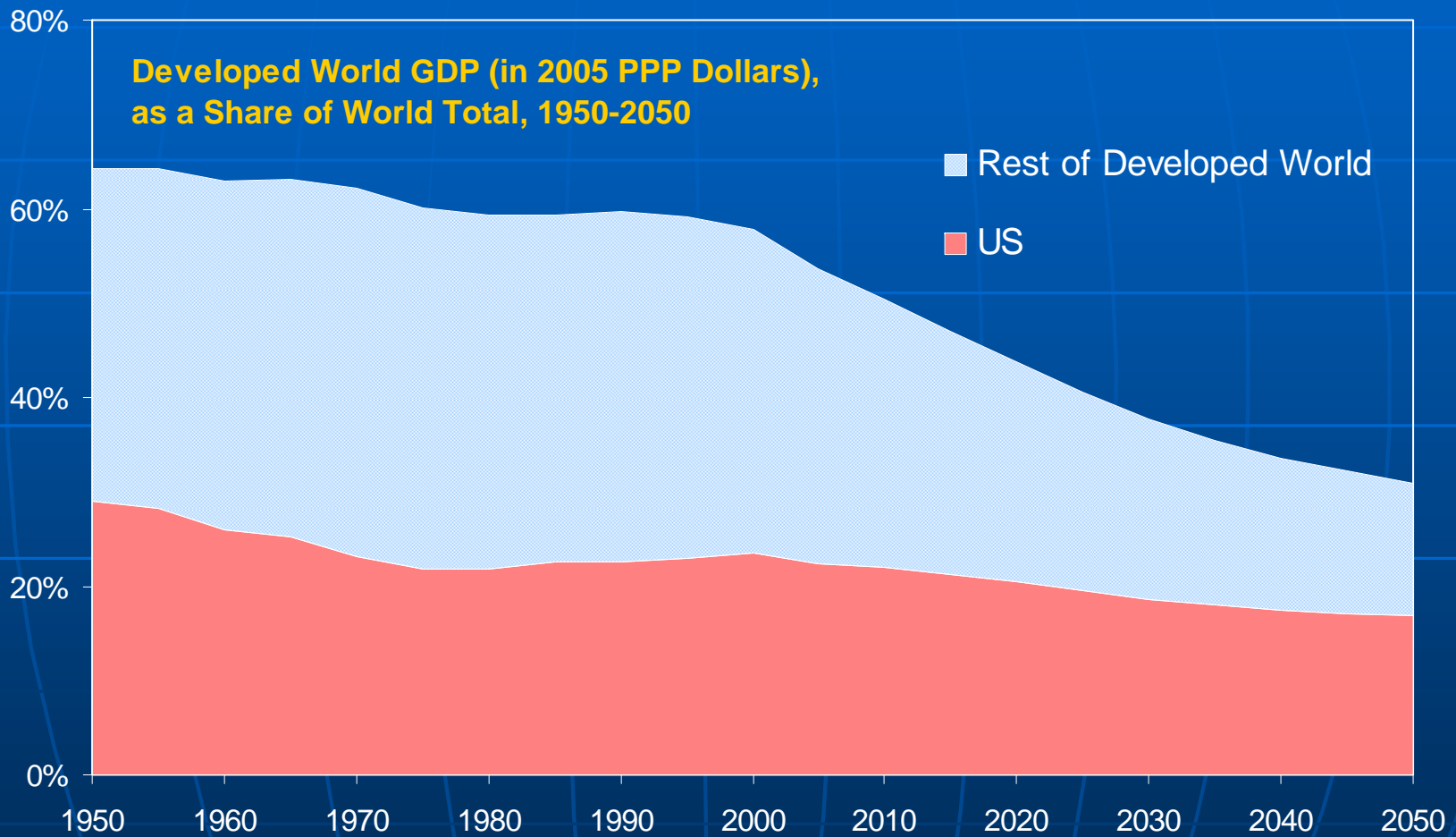
- ❑ **Population and GDP of United States: Steady Rise as Share of Developed World**
 - English-speaking population: from 42% to 58% by 2050
 - U.S. GDP: will exceed 1950 share by 2025

- ❑ **Reordering of Largest-Nation Roster**

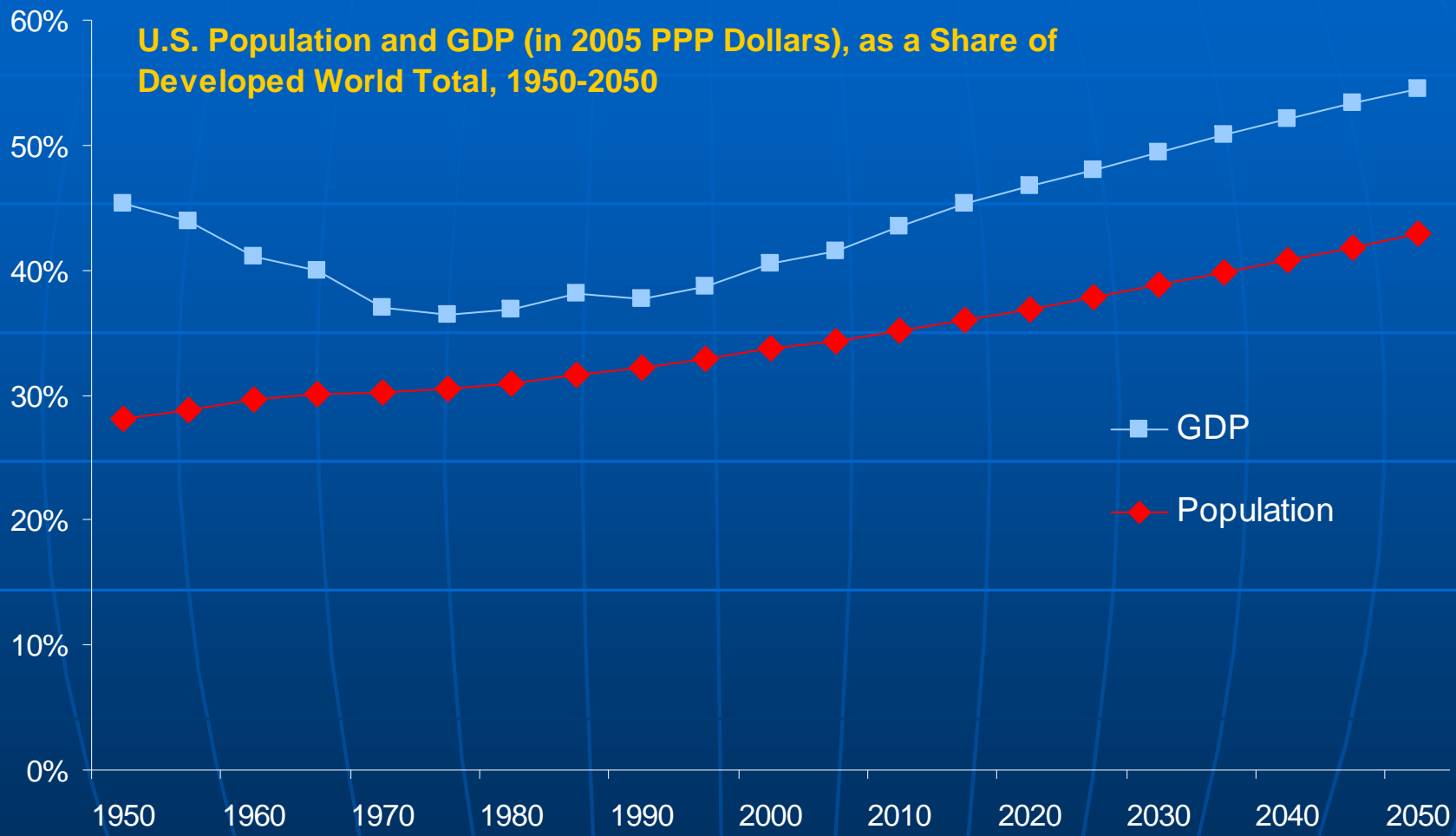
Developed World Population, as a Share of World Total, 1950-2050



Source: UN (2007)



Source: Authors' calculations



Source: Authors' calculations

12 Largest Countries Ranked by Population*

Ranking	1950	2005	2050
1	China	China	India
2	India	India	China
3	US	US	US
4	Russian Federation	Indonesia	Indonesia
5	Japan	Brazil	Pakistan
6	Indonesia	Pakistan	Nigeria
7	Germany	Bangladesh	Bangladesh
8	Brazil	Russian Federation	Brazil
9	UK	Nigeria	Ethiopia
10	Italy	Japan	Dem. Rep. Congo
11	Bangladesh	Mexico	Philippines
12	France	Viet Nam	Mexico
		(14) Germany	(18) Japan
		(20) France	(26) Germany
		(21) UK	(27) France
		(23) Italy	(32) UK
			(39) Italy

*Developed countries are in boldface; future rankings for developed countries projected to fall beneath twelfth place are indicated in the parentheses.

Source: UN (2007)



Consequences for the Developed Countries:

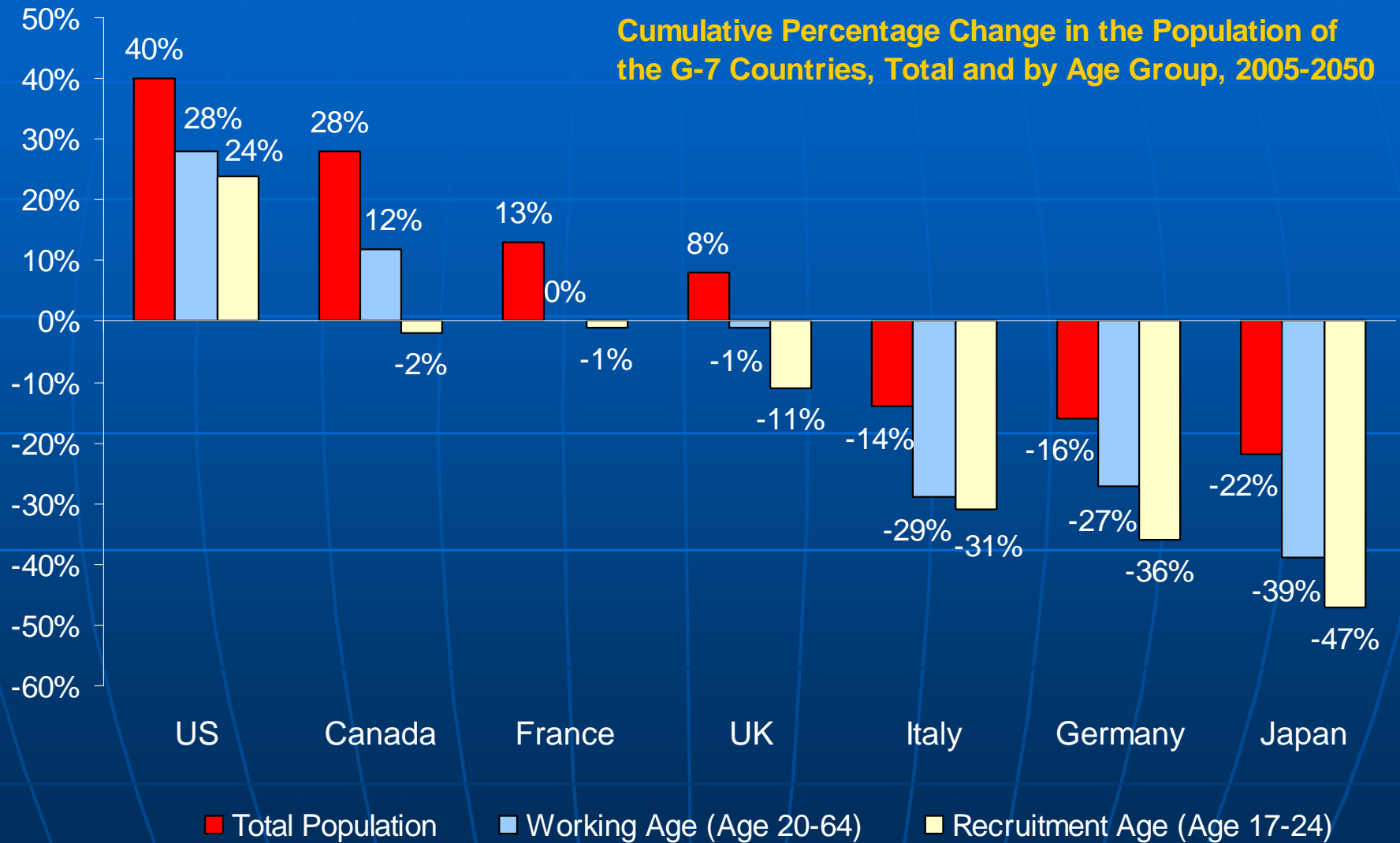
Size of Population and Economy

- ❑ **Foregone Advantages of Population Size**
 - military (service-age mobilization: 'boots on ground')
 - non-military (migration & occupation)

- ❑ **Foregone Advantages of Economic Size**
 - military (logistics, training, weaponry)
 - non-military (international transfers, commercial & financial leverage, economies of scale)
 - further aging constraint: projected fiscal crowding out

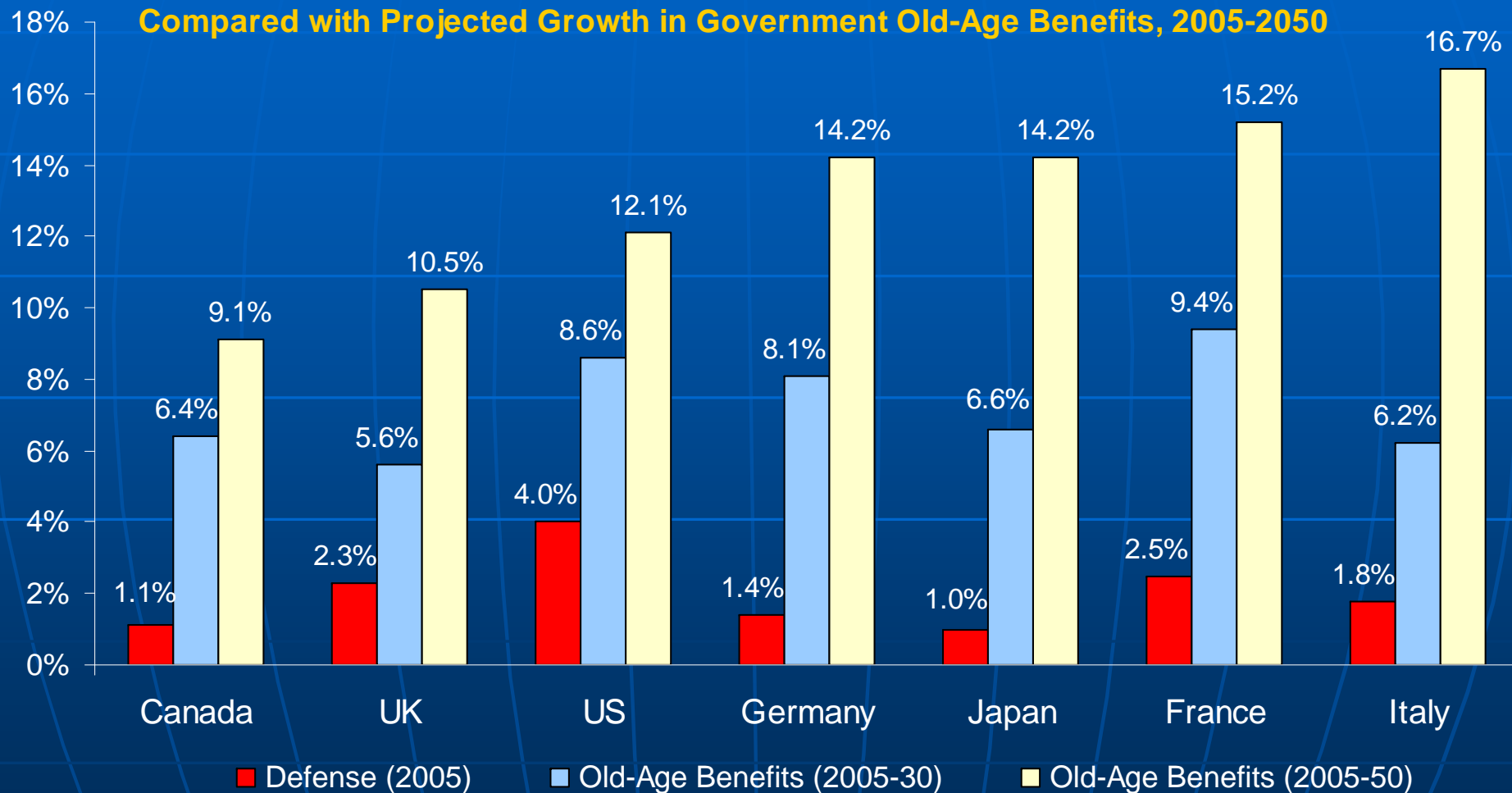
- ❑ **Foregone Advantages of Both**
 - proven record of prevailing in conflict (hard power)
 - multilateral leadership, cultural influence (soft power)

Cumulative Percentage Change in the Population of the G-7 Countries, Total and by Age Group, 2005-2050



Source: UN (2007)

Spending on National Defense in the G-7 Countries in 2005, as a Percent of GDP, Compared with Projected Growth in Government Old-Age Benefits, 2005-2050



Source: IISS (2007) and authors' calculations



Consequences for the Developed Countries:

Changes in Economic Performance (I)

❑ **Economic Structure**

- o falling rate of investment
- o falling ratio of producers to consumers
- o shift of consumption from young to old

❑ **Savings Rate:** Theory & data suggest fall, probably more than investment

❑ **Global Capital:** Probably rising inflow, triggering...

- o larger and more volatile trade imbalances
- o rising debt service costs
- o rising political influence wielded by creditors
- o possibility or fear of default

Change in Combined G-7 Fiscal Balance, as a Share of GDP, Assuming Projected Growth in Government Pension Spending is Financed by Borrowing, 2005-2050*



*All figures are GDP-weighted and include interest on prior year deficits; net national savings is the average for 1996-2005.

Source: Authors' calculations



Consequences for the Developed Countries:

Changes in Economic Performance (II)

❑ **Workforce Aging**

- o more risk-averse, less mobile (jobs, location)
- o less entrepreneurial
- o slight cost in overall productivity; large shift in type of productivity (*fluid vs. crystallized* abilities)

❑ **Market Psychology:** Does demographic stasis trigger business pessimism?

- o product markets: excess capacity, price wars, cartels
- o labor markets: higher labor adjustment cost
- o all markets: anti-competitive public intervention

Ratio of workers over 50 to workers under 30 in developed world

61 in 1980

94 in 2005

112 in 2030

144 *in 2030 (in Germany)*

165 *in 2030 (in Japan)*



Consequences for the Developed Countries:

Changes in Social Mood

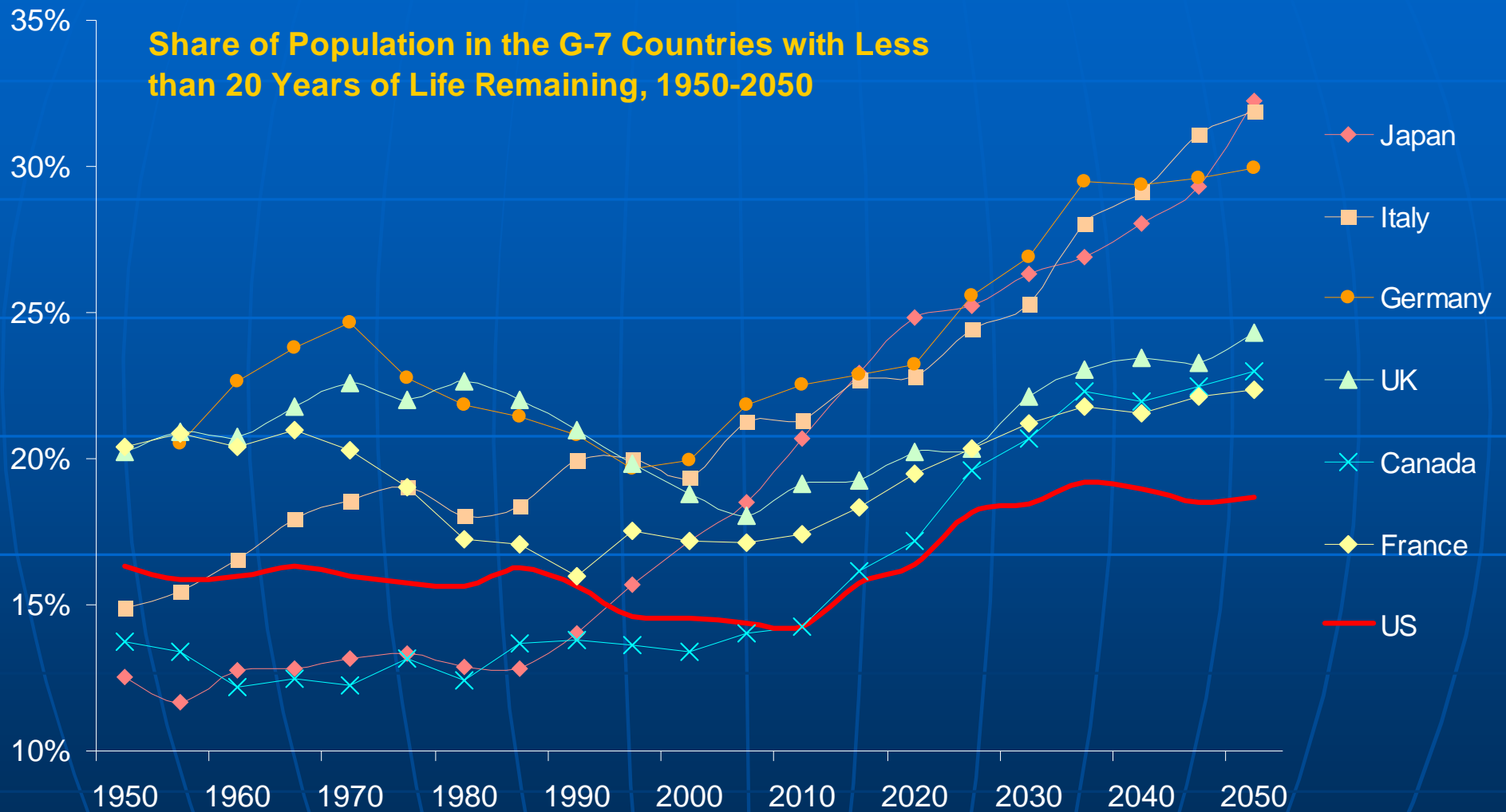
- ❑ **Psychology of Aging and Social Outlook**
 - age effect: rising rigidity, inflexibility
 - time-horizon effect: rising risk-aversion

- ❑ **Shifting Family Structure**
 - fewer siblings & more first-borns
 - policy impact of weaker extended families

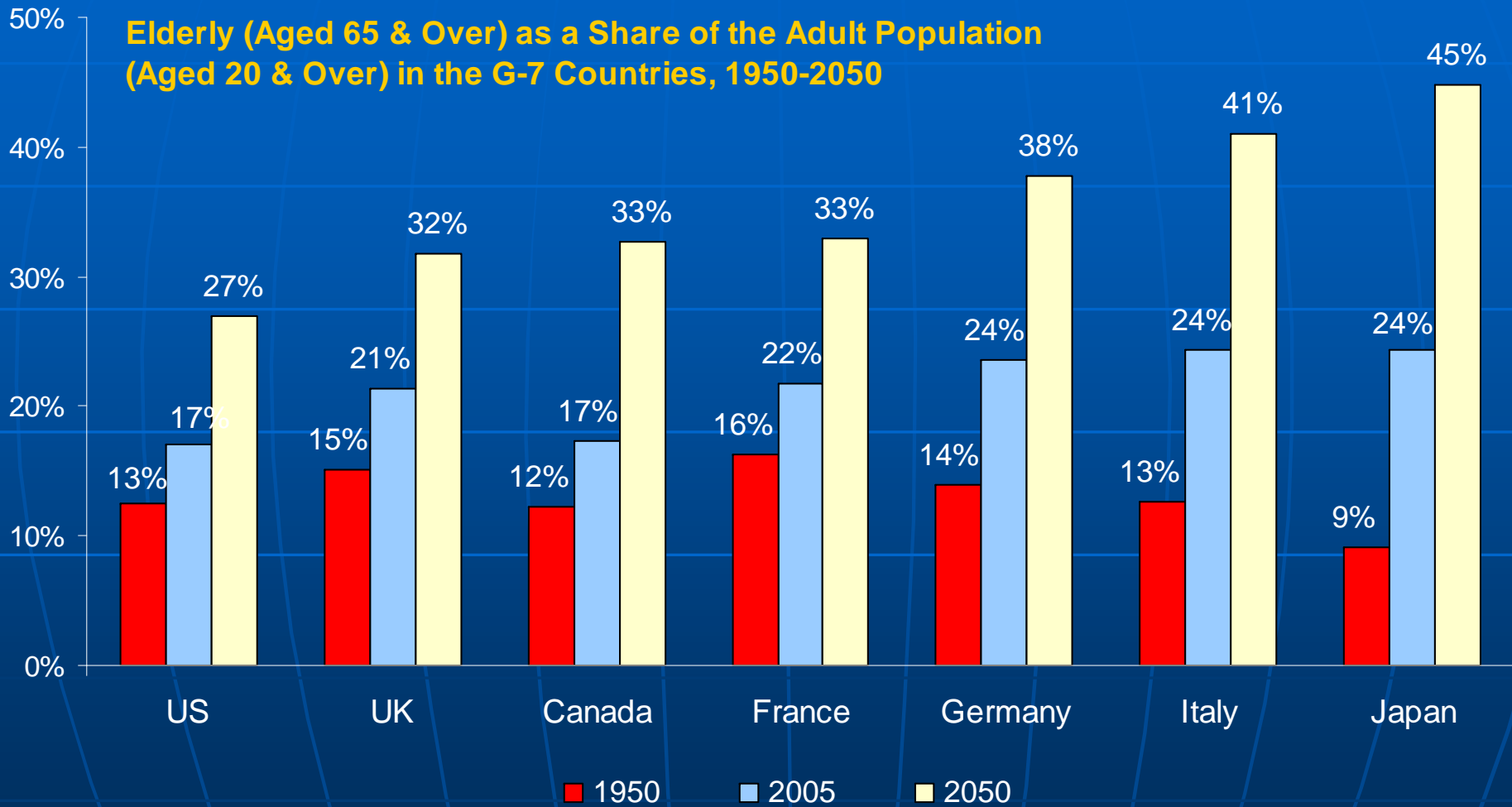
- ❑ **Growing Ethnic & Religious Diversity**
 - new research on assimilation & social trust
 - diaspora politics

- ❑ **Aging and Electoral Politics**

Share of Population in the G-7 Countries with Less than 20 Years of Life Remaining, 1950-2050



Source: Authors' calculations based on UN (2007); and Human Mortality Database, University of California, Berkeley and Max Planck Institute for Demographic Research



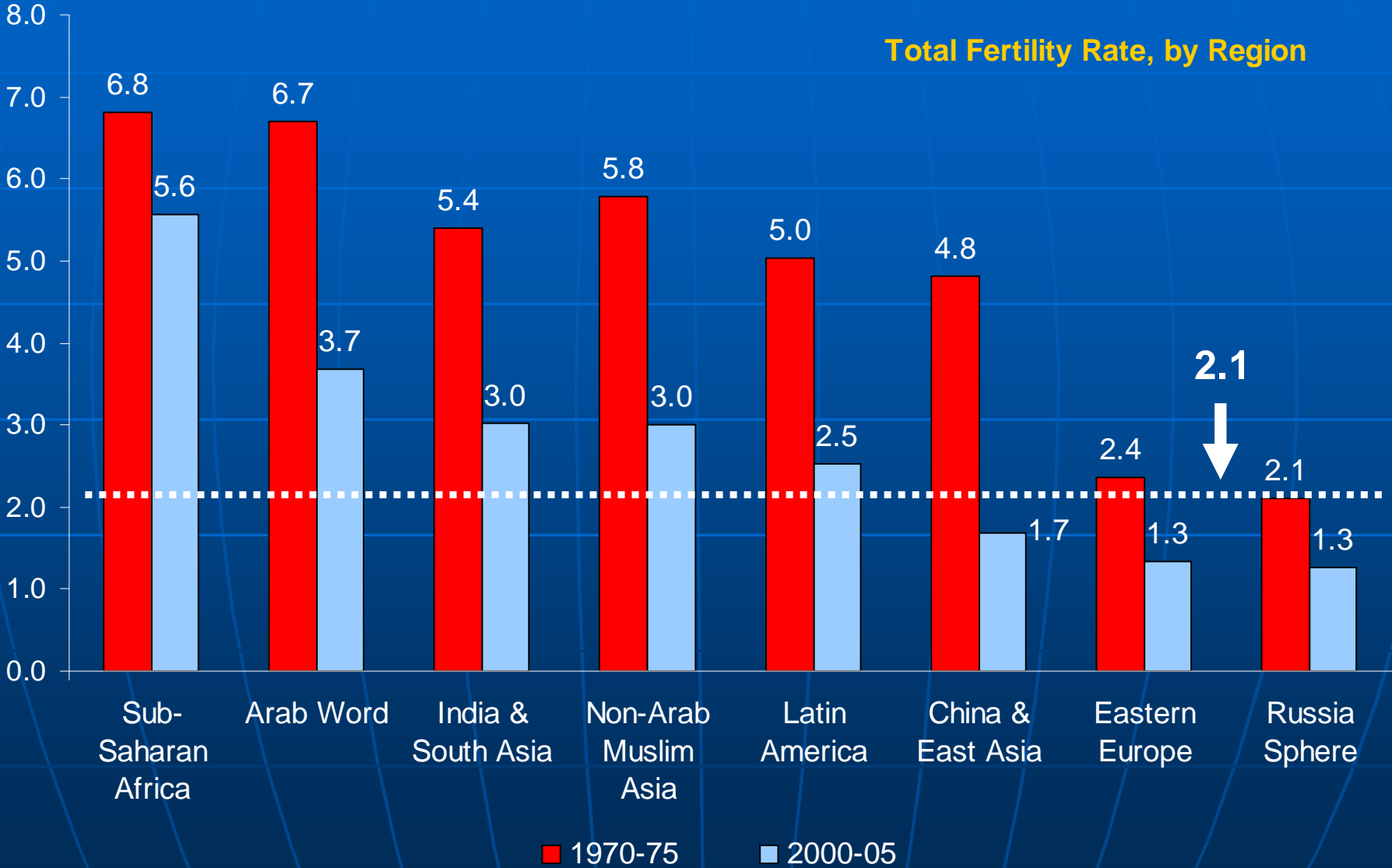
Source: UN (2007)



Demographic Trends in the Developing World: Cause for Hope or Concern?

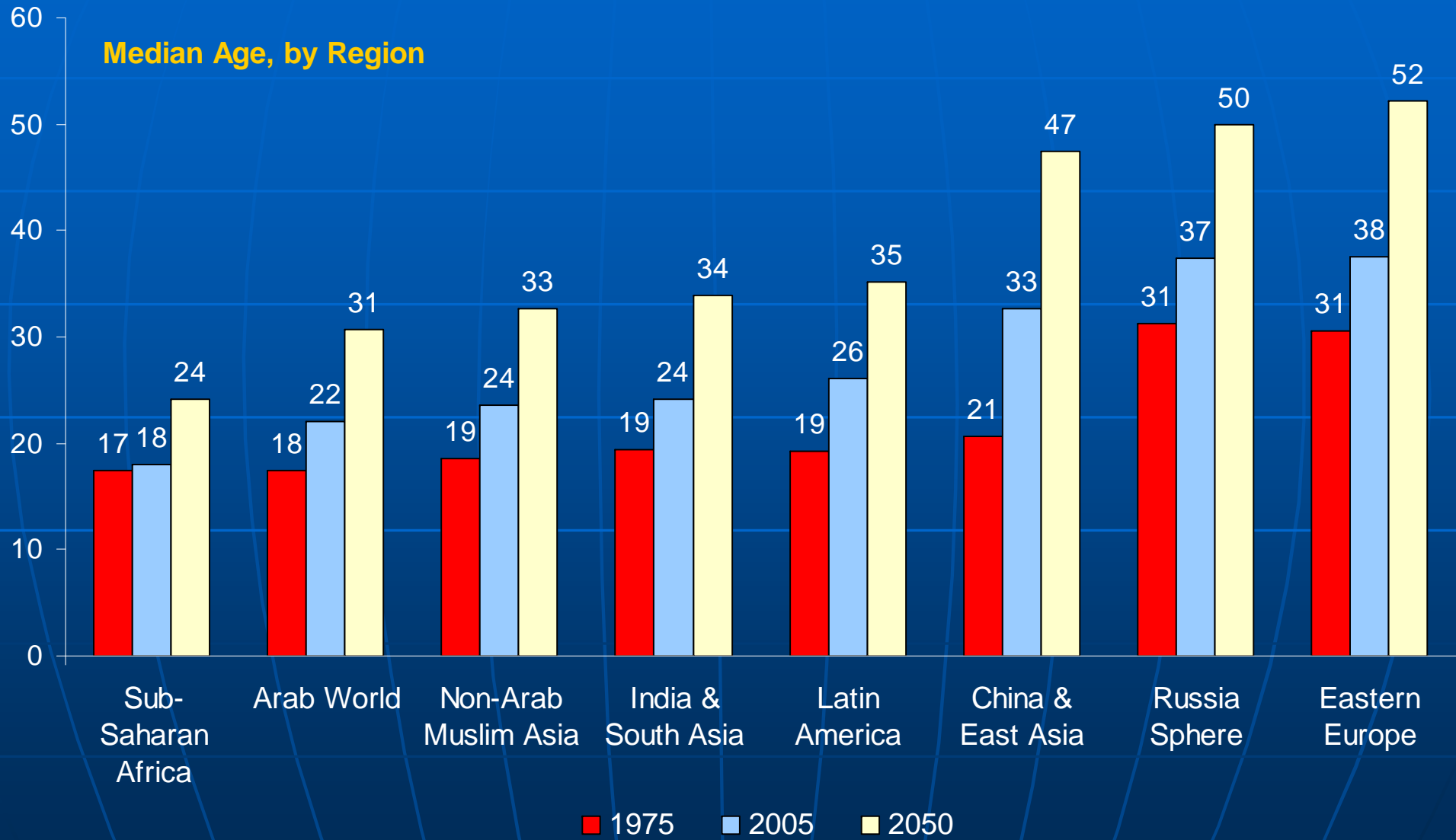
- ❑ **Global aging is a global phenomenon—but the timing and pace of the “demographic transition” varies greatly by country and region**
- ❑ **The “Demographic Peace” Thesis: The transition is pushing the developing world toward peace, prosperity, and ultimately democracy**
- ❑ **Our Perspective: Security threats will grow, not diminish, as the transition progresses**

Total Fertility Rate, by Region



Source: UN (2007)

Median Age, by Region



Source: UN (2007)



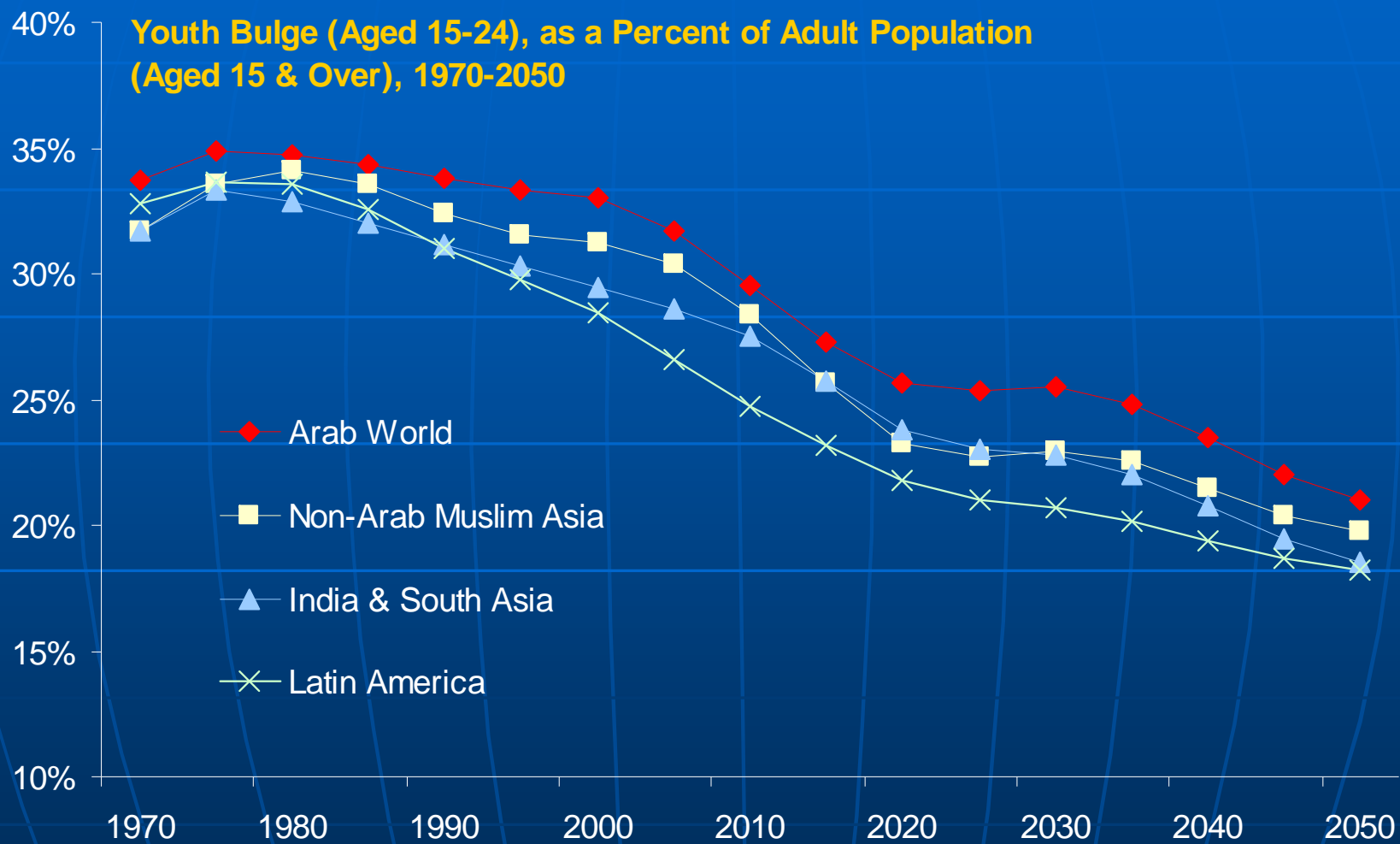
The Developing World: The Perils of the Transition (1)

❑ **Stalled and Backtracking Transitions**

- o lingering youth bulges in sub-Saharan Africa and many chronically unstable Muslim countries
- o “echo booms”: a temporary resurgence of youth-bulge populations in the 2020s

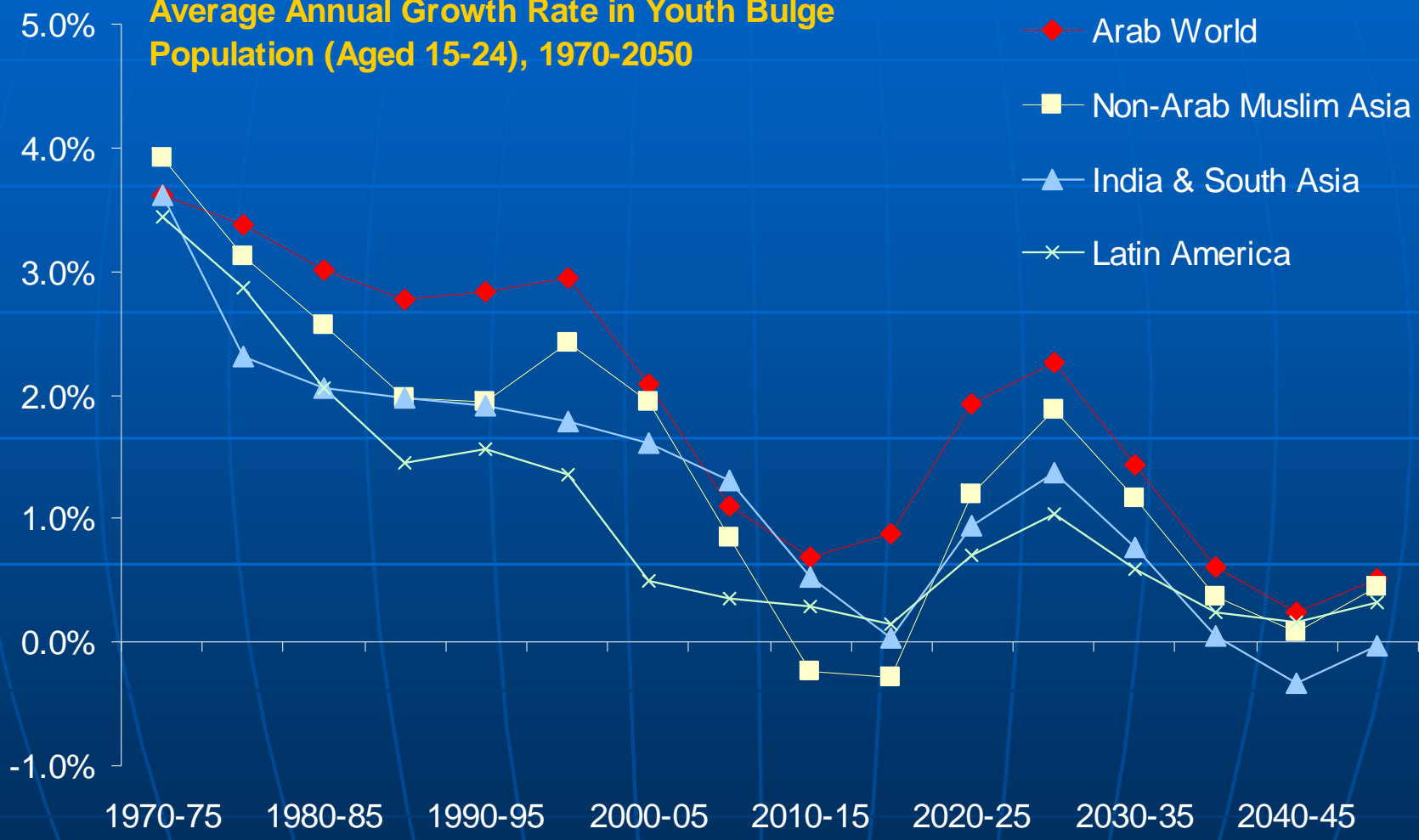
❑ **“More Murder in the Middle”**

- o hump-shaped or “inverted-U” relationship between security threats and economic and social development
- o relationship strongest for more serious threats, from interstate war to terrorism
- o Rapid transitions can trigger “neo-authoritarian” reaction—the danger is not just “failed states,” but successful states



Source: UN (2007)

Average Annual Growth Rate in Youth Bulge Population (Aged 15-24), 1970-2050



Source: UN (2007)



The Developing World: The Perils of the Transition (2)

❑ Squandered Demographic Dividends

- o rapid economic growth can lift countries quickly out of the worst danger zone—but this rarely happens

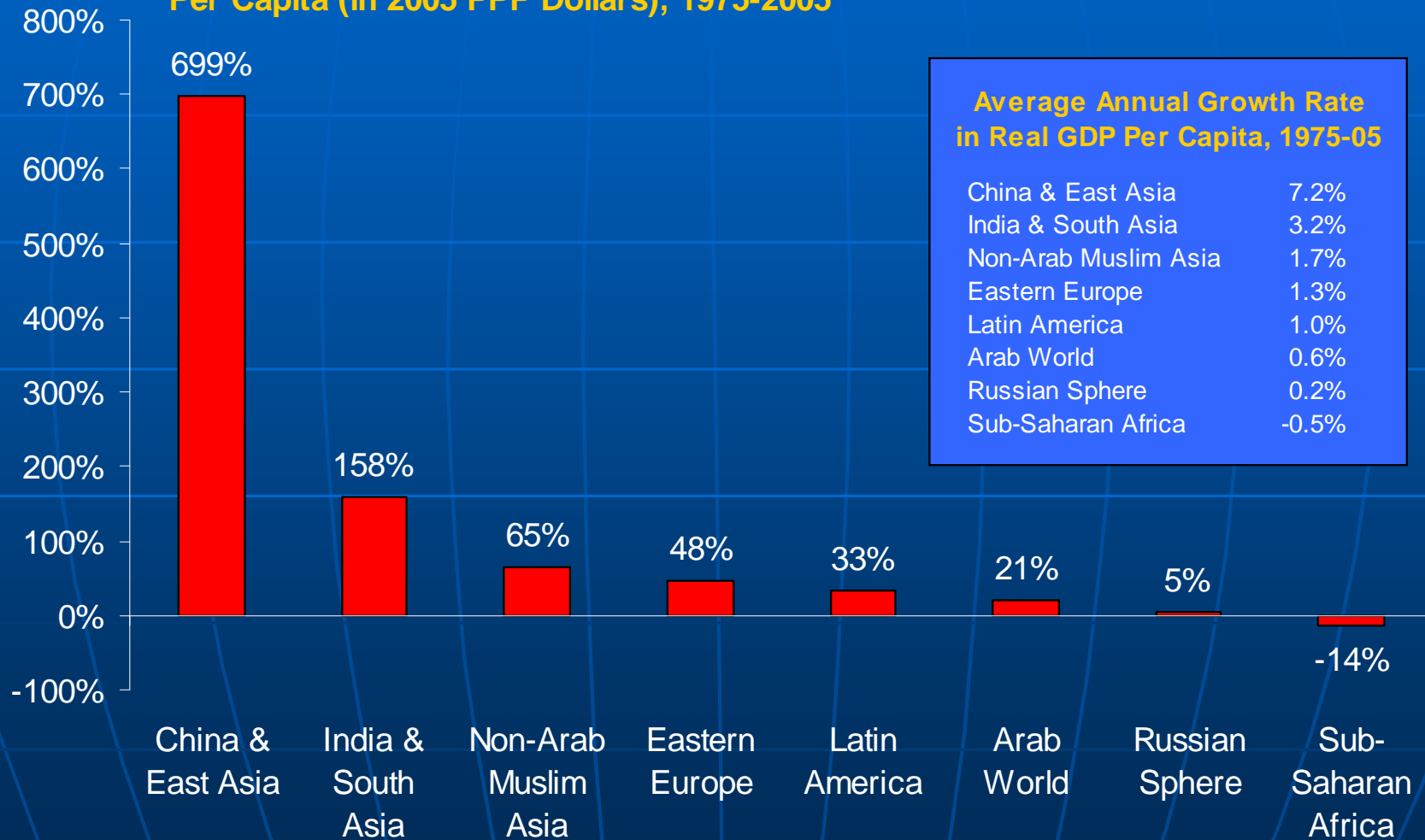
❑ Transitions Too Fast or Too Far

- o “premature aging” in China
- o population implosion in Russian sphere

❑ The New Demographic Competition

- o differential growth between ethnic and religious groups
- o differential growth between more and less religious
- o gender imbalances in East and South Asia

Cumulative Percentage Change in Real GDP Per Capita (in 2005 PPP Dollars), 1975-2005

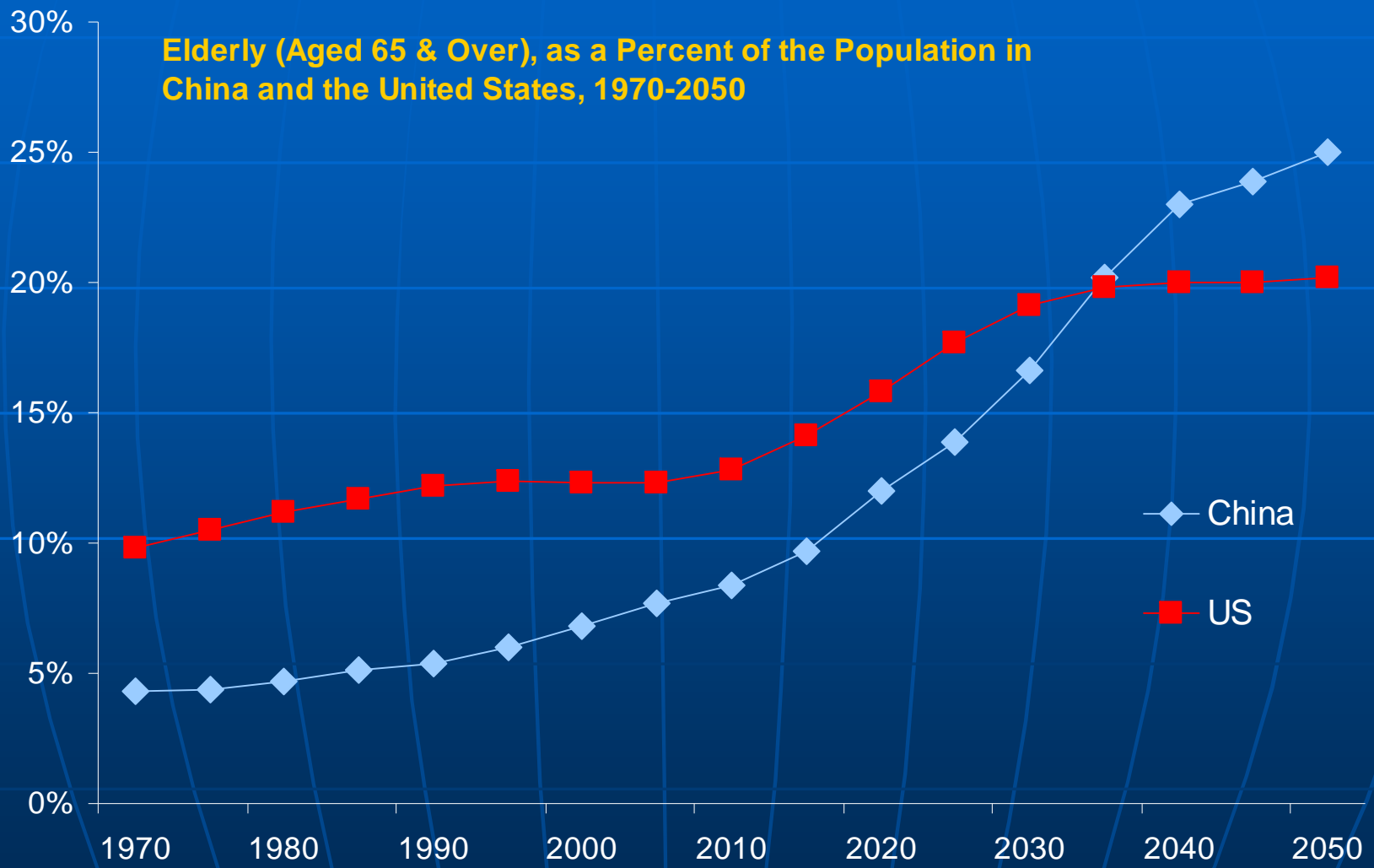


Average Annual Growth Rate in Real GDP Per Capita, 1975-05

China & East Asia	7.2%
India & South Asia	3.2%
Non-Arab Muslim Asia	1.7%
Eastern Europe	1.3%
Latin America	1.0%
Arab World	0.6%
Russian Sphere	0.2%
Sub-Saharan Africa	-0.5%

Source: World Bank (2007) and authors' calculations

Elderly (Aged 65 & Over), as a Percent of the Population in China and the United States, 1970-2050



Source: UN (2007)



Crisis of the 2020s?

A Confluence of Challenges

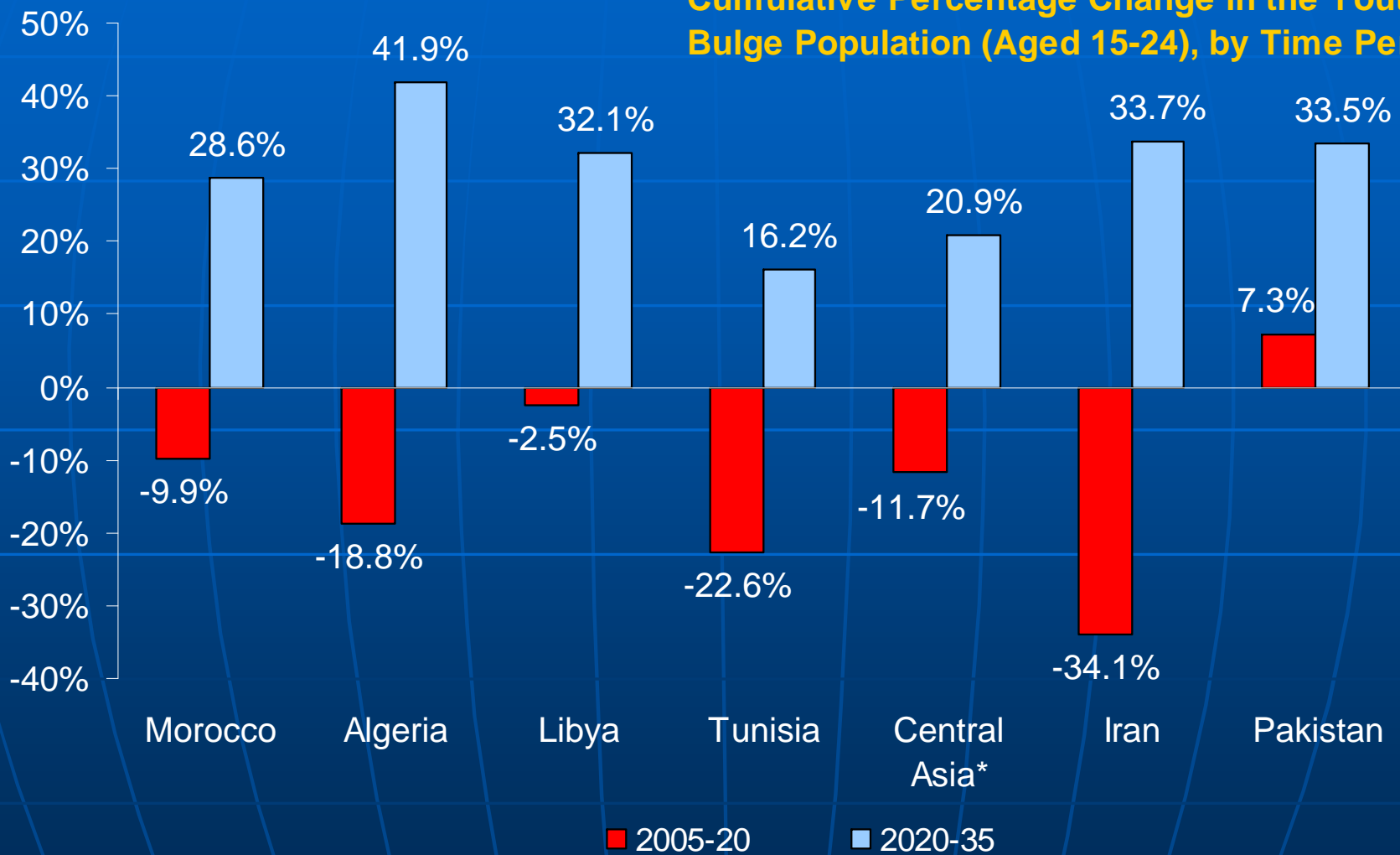
- ❑ **For Developed World, Retirement Decade**
 - fastest rise in elder dependency ratio
 - fastest rise in pension/health care fiscal burden
 - dramatic flattening of real GDP growth rate

- ❑ **For Developing World, Echo-Boom Decade:**
 - resurgent “youth bulge”
 - dramatic in many Muslim-majority countries and some Latin American countries

- ❑ **For Russia & Eastern Europe, Implosion Decade**

- ❑ **For China, Decade of GDP Parity with U.S.**

Cumulative Percentage Change in the Youth Bulge Population (Aged 15-24), by Time Period



*Includes Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.
Source: UN (2007)



Framework for Policy Action

Demographic Policy

- ❑ **Reward Families for Having Children**
- ❑ **Help Women Balance Jobs and Children**
- ❑ **Improve the Economic Prospects of Young Families**
- ❑ **Leverage Immigration More Effectively**



Framework for Policy Action

Economic Policy

- Reduce the Projected Cost of Old-Age Benefits**
- Increase Funded Retirement Savings**
- Encourage Longer Work Lives**
- Enable More Young People to Work**
- Maximize the Advantages of Trade**
- Raise National Savings**



Framework for Policy Action Diplomacy & Strategic Alliances

- ❑ **Expand the Developed-World Club**
- ❑ **Prepare for a Larger U.S. Role**
- ❑ **Invest in Development Assistance**
- ❑ **Be Vigilant to Threat of Neo-Authoritarian Regimes**
- ❑ **Preserve and Enhance Soft Power**



Framework for Policy Action Defense Posture & Military Strategy

- ❑ **Prepare for Growing Casualty Aversion**
- ❑ **Where Feasible, Substitute Military Technology for Military Manpower**
- ❑ **Where Feasible, Substitute Non-Native for Native Manpower**
- ❑ **Create “Service Alliances” with Friendly Developing Countries**
- ❑ **Adapt Weapons, Training, and Force Structure to New Locales and New Missions**