How Global Aging Will Reshape the Geopolitical Landscape of the 21st Century

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Japan-U.S. Joint Policy Forum
Woodrow Wilson Center & Sasakawa Foundation
October 9, 2014
Tokyo
The developed world is leading the way into humanity’s graying future.

**Elderly (Aged 65 & Over), as a Percent of the Population, 2010-2050**

- **US**: 13% (2010), 21% (2050)
- **UK**: 17% (2010), 25% (2050)
- **Canada**: 14% (2010), 26% (2050)
- **France**: 17% (2010), 26% (2050)
- **Germany**: 21% (2010), 34% (2050)
- **Italy**: 20% (2010), 35% (2050)
- **Japan**: 23% (2010), 39% (2050)

Source: UN (2013)
Along with aging populations, most developed countries will have stagnant or declining ones.

Cumulative Percentage Change in the Total and Working-Age Populations (Aged 20-64): 2010-2050

Source: UN (2013)
Constraints on the Developed World
Most developed counties will have zero-growth or shrinking service-age populations.

Tighter civilian labor markets may further exacerbate the challenge of recruiting and retaining adequate forces.

Greater reliance on technology can reduce manpower needs for some missions, but “boots on the ground” will remain essential for nation building.

In any case, aging will also constrain the fiscal capacity of the developed countries to substitute capital for labor.

Source: UN (2013)
Growing Fiscal Burdens

- Graying means paying more for pensions, health care, and long-term care for the frail elderly.

- Few developed countries will be able to raise taxes enough to cover more than a fraction of the age wave’s cost.

- Most will have to cut benefits, but the required adjustments are large and bound to meet resistance from aging electorates.

- The likely result: Rising old-age benefit costs will crowd out other government spending and/or lead to widening fiscal deficits.

"Current Deal" Projection: Total Government Benefits to Persons Aged 60 & Over, as a Percent of GDP, 2010 and 2040

Note: Projections assume that program eligibility ages and benefit levels remain unchanged in the future.
Slowly growing or contracting working-age populations in the developed world will translate into slower growth in GDP.

Japan and some faster-aging European countries face a future of secular stagnation.

Productivity and living standard growth may also slow as rates of saving and investment decline.

Aging workforces may be less flexible, less mobile, and less entrepreneurial, putting a further drag on economic growth.

| Average Annual Growth Rate in the Working-Age Population (Aged 20-64), by Decade |
|---------------------------------|---------------------------------|----------|--------|--------|--------|--------|--------|----------|
| Canada                          | 1.9%  | 1.2%  | 1.4%  | -0.1% | -0.1% | 0.4%  | 0.2%  |
| France                          | 1.1%  | 0.4%  | 0.8%  | 0.0%  | 0.0%  | 0.0%  | 0.3%  |
| Germany                         | 1.2%  | 0.2%  | -0.3% | -0.3% | -1.1% | -1.1% | -0.9% |
| Italy                           | 0.9%  | 0.2%  | 0.4%  | -0.2% | -0.6% | -1.1% | -0.8% |
| Japan                           | 0.8%  | 0.4%  | -0.4% | -0.9% | -0.7% | -1.3% | -1.3% |
| UK                              | 0.7%  | 0.4%  | 0.6%  | 0.2%  | 0.0%  | 0.1%  | 0.2%  |
| US                              | 1.4%  | 1.3%  | 1.1%  | 0.4%  | 0.1%  | 0.5%  | 0.5%  |
Relative Economic Decline

GDP (in 2005 US Dollars) by Country Group, as a Percent of G-20 Total, 2009-2050

<table>
<thead>
<tr>
<th>Country Group</th>
<th>2009</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>26%</td>
<td>48%</td>
<td>58%</td>
</tr>
<tr>
<td>Japan</td>
<td>74%</td>
<td>52%</td>
<td>42%</td>
</tr>
<tr>
<td>Other Developed</td>
<td>9%</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td>Other Emerging</td>
<td>19%</td>
<td>25%</td>
<td>30%</td>
</tr>
</tbody>
</table>

As domestic markets in aging societies stagnate or contract, the risk of protectionism may grow.

The potential shift in business psychology could be mirrored by a broader shift in social mood toward greater risk aversion.

Smaller families may be less willing to risk scarce youth in war.

Aging electorates may lock in current public spending commitments at the expense of new priorities and shun decisive confrontations in favor of ad hoc settlements.

Source: Author’s calculations based on UN (2007) and Human Mortality Database, University of California, Berkeley and Max Planck Institute for Demographic Research
Thanks to its relatively high fertility rate and substantial net immigration, the demographic outlook in the United States is more favorable than that of any other major developed country.

Yet the United States also labors under a number of self-inflicted handicaps, from its low national savings rate to its bloated health-care sector, that largely offset its demographic advantage.

Source: UN (2013)
Demographic Risks in the Developing World
The “Demographic Peace Thesis”

- The “demographic peace thesis”: Population trends are pushing the developing world toward greater peace, prosperity, and democracy.

- The political argument: Fading youth bulges and rising median ages will foster social stability.

- The economic argument: Declining dependency ratios and growing working-age populations create a “demographic dividend”—and open up a window of opportunity for growth.

### Youth Bulge (Aged 15–24), as a Percent of the Adult Population (Aged 15 & Over), 1975–2050

<table>
<thead>
<tr>
<th>Region</th>
<th>1975</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>33.7%</td>
<td>35.0%</td>
<td>35.8%</td>
<td>35.1%</td>
<td>32.9%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Greater Middle East</td>
<td>33.7%</td>
<td>32.7%</td>
<td>32.8%</td>
<td>29.9%</td>
<td>23.3%</td>
<td>18.2%</td>
</tr>
<tr>
<td>East Asia</td>
<td>32.1%</td>
<td>29.8%</td>
<td>21.2%</td>
<td>21.4%</td>
<td>14.0%</td>
<td>10.7%</td>
</tr>
<tr>
<td>South Asia</td>
<td>33.2%</td>
<td>31.6%</td>
<td>29.7%</td>
<td>26.7%</td>
<td>20.6%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>23.6%</td>
<td>18.2%</td>
<td>19.0%</td>
<td>17.0%</td>
<td>13.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Latin American</td>
<td>33.6%</td>
<td>31.0%</td>
<td>28.5%</td>
<td>25.1%</td>
<td>18.8%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Source: UN (2013)

### Working-Age Population (Aged 20–64), as a Percent of the Total Population, 1975–2050

<table>
<thead>
<tr>
<th>Region</th>
<th>1975</th>
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<th>2000</th>
<th>2010</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>42%</td>
<td>41%</td>
<td>42%</td>
<td>43%</td>
<td>47%</td>
<td>52%</td>
</tr>
<tr>
<td>Greater Middle East</td>
<td>42%</td>
<td>44%</td>
<td>47%</td>
<td>53%</td>
<td>58%</td>
<td>59%</td>
</tr>
<tr>
<td>East Asia</td>
<td>46%</td>
<td>55%</td>
<td>59%</td>
<td>65%</td>
<td>62%</td>
<td>57%</td>
</tr>
<tr>
<td>South Asia</td>
<td>45%</td>
<td>48%</td>
<td>51%</td>
<td>55%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>58%</td>
<td>59%</td>
<td>61%</td>
<td>65%</td>
<td>61%</td>
<td>58%</td>
</tr>
<tr>
<td>Latin American</td>
<td>44%</td>
<td>48%</td>
<td>52%</td>
<td>56%</td>
<td>59%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: UN (2013)
In parts of the developing world, including most of sub-Saharan Africa and some of the Greater Middle East, the demographic transition has stalled in its early stages.

In other parts, most notably East Asia, extremely rapid transitions are leading to “premature aging.”

China faces a massive age wave that threatens to undermine the twin pillars of the current regime’s political legitimacy: rapid economic growth and social stability.

Russia is on the cusp of what may turn out to be steepest population implosion of any great power since the plague-ridden Middle Ages.

Caveat One: The Uneven Pace of the Demographic Transition

![Graph showing the percentage change in the Russian population, 2010-2050.](source: UN (2011))

![Graph showing the elderly population as a percent of the population, 1970-2050.](source: UN (2011))
Caveat Two: Journeys can be more dangerous than destinations.

- Societies undergo tremendous stress as they move from the traditional to the modern. When plotted against development, most of the stressors describe an inverted-U—meaning that they become most dangerous midway through the transition.

- These stressors include:
  - Contact with the global marketplace and culture
  - Urbanization
  - Environmental degradation
  - Growing income inequality
  - Growing ethnic competition
  - Religious extremism

The "Inverted U" Relationship

Level of Stress & Risk of Violence

Stage of Demographic Transition & Development

Source: Author’s illustration
Conclusion
Demographic trends may be pushing the world toward a period of heightened geopolitical risk in the 2020s.

For the developed countries, the 2020s are shaping up to be a decade of chronic budget crises, economic stagnation, and ugly political battles over immigration and old-age benefit reform.

For emerging East Asia, the 2020s will also be a decade of growing social and economic stress. Russia will be in a demographic free fall, while China will be coping with the destabilizing impact of its “premature aging” just as it reaches GDP parity with the United States.

There are steps the developed-world alliance can take to prepare for the challenge, but the required reforms are every bit as sweeping as the demographic transformation itself.