

Demography, Geopolitics, and Great Power Competition

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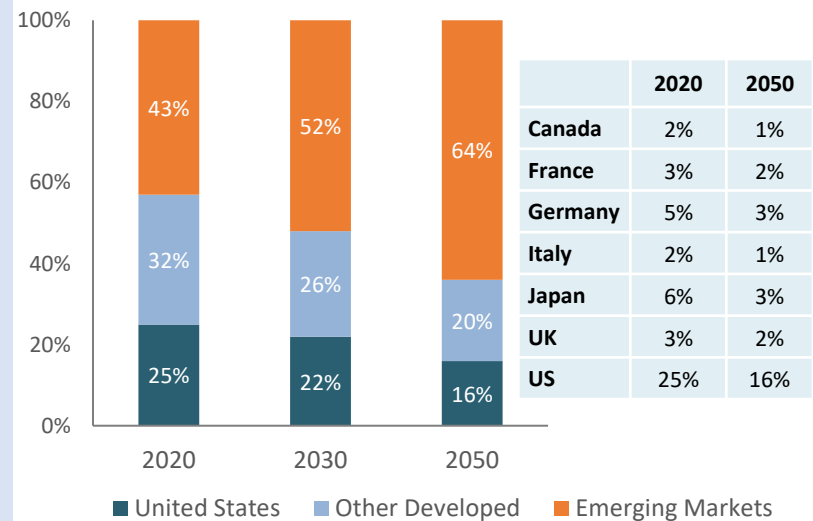
Washington, DC
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Introduction

Population and Power

- ❑ **Population Size.** Although population size alone does not determine geopolitical stature, population size and GDP size together are potent twin engines of national power.
- ❑ **Population Growth.** Geopolitically rising powers are almost always demographically growing relative to their neighbors and the rest of the world. There are no historical examples of demographically contracting powers that were also geopolitically rising powers.
- ❑ **Population Age Structure.** The age structure of populations can have a powerful effect, positive or negative, on economic performance and social and political stability.

GDP by Country and Country Group, in PPP Dollars, as a Percent of World GDP in 2000, 2030, and 2050

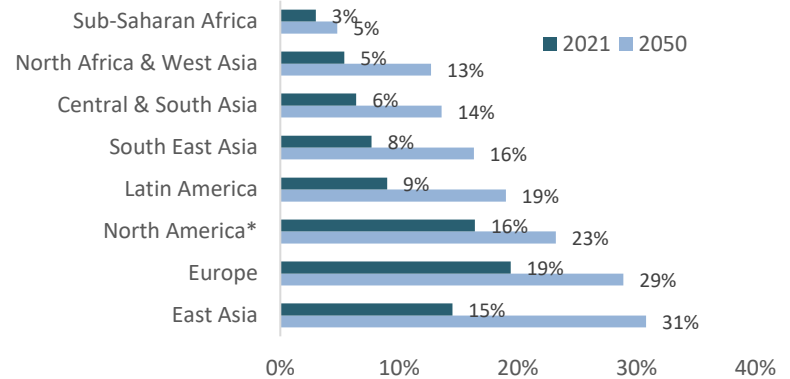


Source: Goldman Sachs (December 2022)

The Global Demographic Outlook

- ❑ Dramatic population aging in most regions of the world, especially Europe and East Asia
- ❑ Slowly growing or contracting populations in most regions of the world, the major exceptions being Sub-Saharan Africa and the Greater Middle East
- ❑ A stunning shift in the distribution of the world's population by country and region

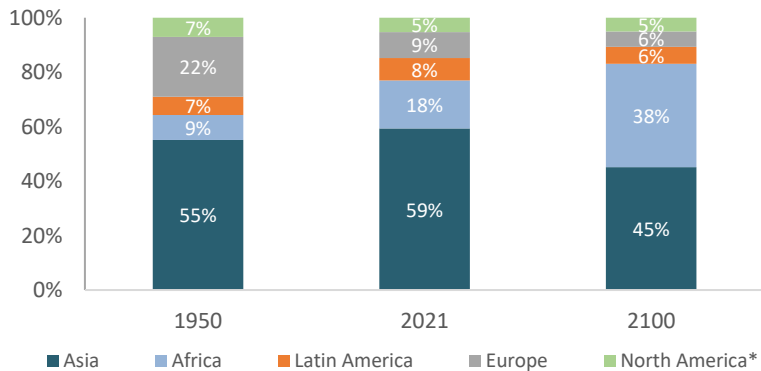
Elderly (Aged 65 & Over), as a Percent of the Population in 2021 and 2050



Source: UN Population Division (2022)

* Includes Oceania

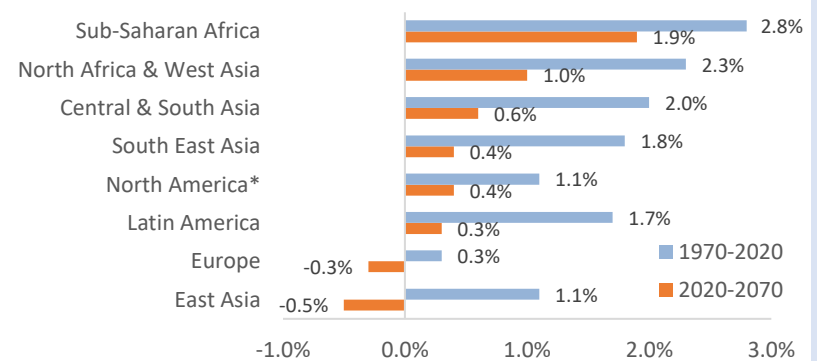
Distribution of the Global Population, by Region, in 1950, 2021, and 2100



Source: UN Population Division (2022)

* Includes Oceania

Average Annual Growth Rate in the Population, by Region and Period, 1970-2020 and 2020-2070



Source: UN Population Division (2022)

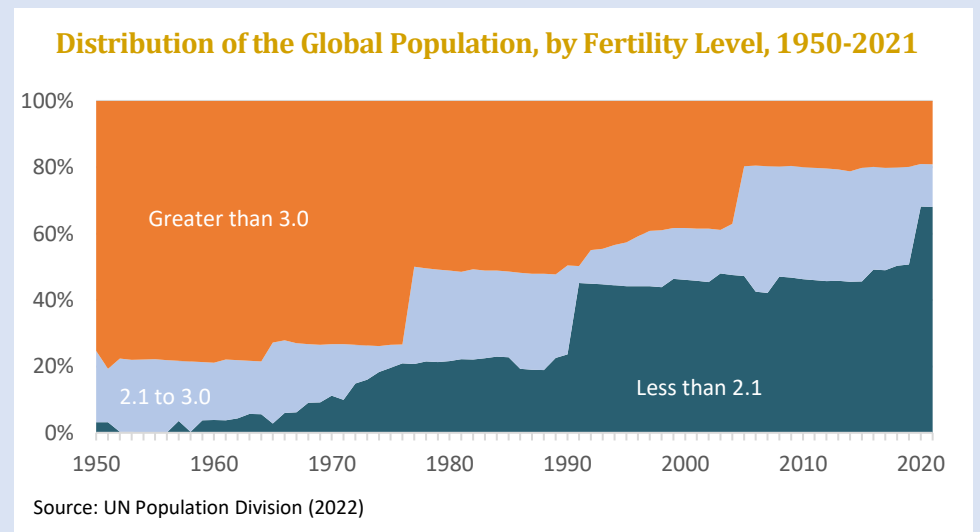
* Includes Oceania

The Forces Behind the Demographic Transition

- ❑ There are two forces behind the demographic transition.
- ❑ The first force is rising life expectancy. People are living longer, and this increases the relative number of old in the population.
- ❑ The second force is falling fertility. People are having fewer babies, and this decreases the relative number of young in the population.

	Life Expectancy at Birth				Total Fertility Rate			
	1950	1975	2000	2021	1950	1975	2000	2021
Europe	63	71	74	77	2.7	2.1	1.4	1.5
North America*	68	72	77	78	3.0	1.9	2.0	1.7
East Asia	43	63	73	79	5.5	3.3	1.6	1.2
South East Asia	42	55	68	70	5.8	5.0	2.6	2.1
Central & South Asia	41	52	63	68	5.9	5.5	3.5	2.3
North Africa & West Asia	42	56	69	72	6.6	6.0	3.4	2.8
Latin America	49	61	71	72	5.8	4.7	2.6	1.9
Sub-Saharan Africa	38	46	51	60	6.5	6.8	5.7	4.6

Source: UN Population Division (2022) *Includes Oceania



The Stages of Demographic Transition

- ❑ **Stage 1:** Declining mortality rates lead to rising youth dependency burdens and rapid population growth. Demographic trends tend to lean against economic growth and social and political stability.
- ❑ **Stage 2:** Fertility rates fall with a lag. Declining dependency burdens and rising median ages open up a window of opportunity for rapid economic and social development known as the “demographic dividend.”
- ❑ **Stage 3:** The relative growth in the number of elderly overtakes the relative decline in the number of children. Dependency burdens rise again and populations stagnate or contract. Demographic trends again tend to lean against economic growth and may increase geopolitical risks.

	Median Age					
	1950	1975	2000	2021	2030	2050
Europe	28	31	37	42	44	47
North America*	29	27	34	37	39	43
East Asia	22	20	30	39	43	51
South East Asia	19	18	23	30	32	37
Central & South Asia	20	18	21	27	29	36
North Africa & West Asia	19	17	20	26	27	32
Latin America	18	18	23	30	34	40
Sub-Saharan Africa	18	16	16	18	19	23

Source: UN Population Division (2022)

* Includes Oceania

	Total Dependency Ratio**					
	1950	1975	2000	2021	2030	2050
Europe	75	77	65	68	75	90
North America*	74	84	69	71	75	80
East Asia	100	110	66	59	62	85
South East Asia	114	130	88	68	68	72
Central & South Asia	108	124	104	76	69	68
North Africa & West Asia	116	136	106	81	77	76
Latin America	120	127	92	69	66	72
Sub-Saharan Africa	124	137	141	126	115	90

Source: UN Population Division (2022)

*Includes Oceania

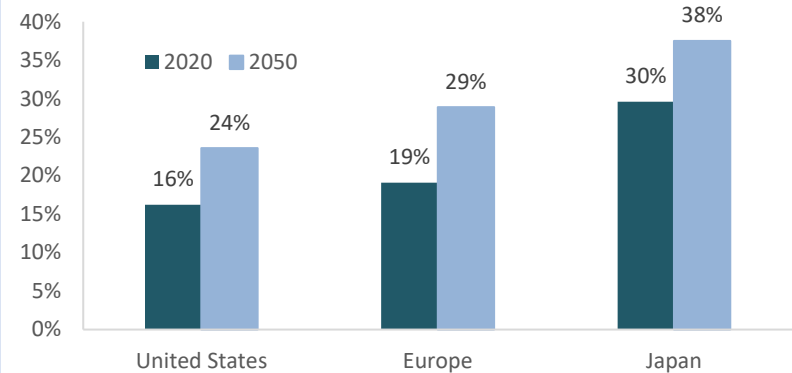
**Children (aged 0-19) plus elderly (aged 65 & over) per 100 working-age adults (aged 20-64)

The Outlook for the United States and Developed World

Shades of Gray

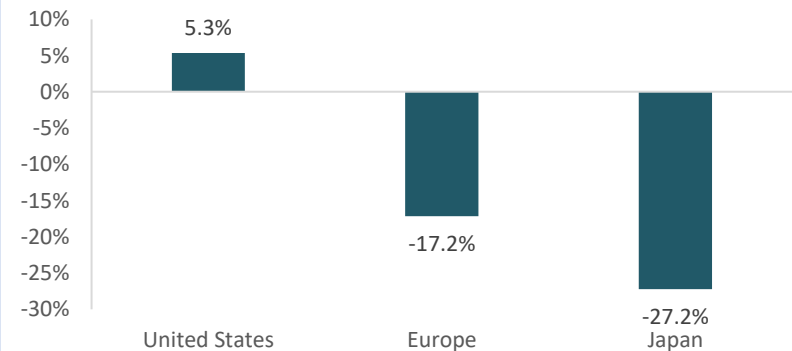
- ❑ The extent of population aging varies greatly across the developed world, mainly because fertility rates have fallen much further in some countries than in others.
- ❑ Until recently, America's relatively high fertility rate, together with substantial net immigration, seemed to ensure that it would remain the youngest of the major developed countries for the foreseeable future. It also seemed to ensure that it would have a growing working-age population, even as those in most other developed countries stagnated or contracted.
- ❑ The latest UN projections still show that America will age significantly less than most European countries and much less than Japan. Yet its demographic advantage over its developed world peers has narrowed considerably compared with previous UN projections.

Elderly (Aged 65 & Over), as a Percent of the Population in 2020 and 2050



Source: UN Population Division (2022)

Percentage Change in the Working-Age Population (Aged 20-64) from 2020 to 2050

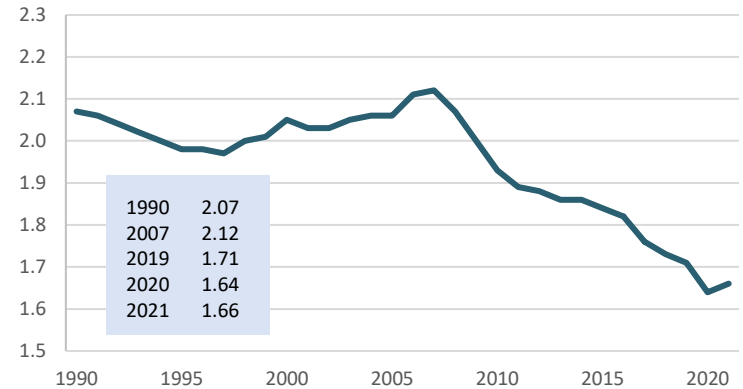


Source: UN Population Division (2022)

The End of U.S. Demographic Exceptionalism?

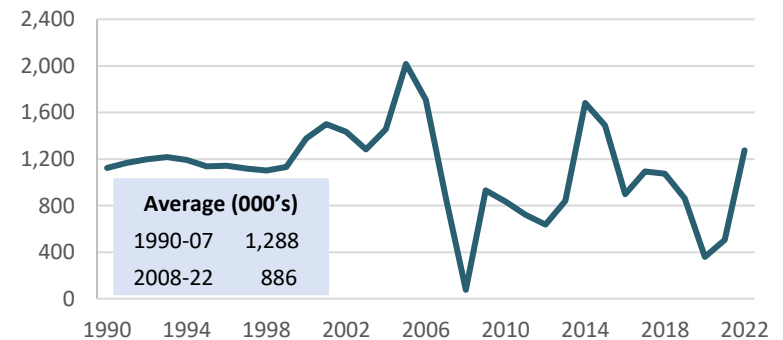
- ❑ Since the Great Recession, the U.S. fertility rate has fallen sharply, while net immigration has also declined.
- ❑ If recent trends prove to be lasting, the United States will age significantly more than is currently projected, further undermining its ability to maintain national and global security.

U.S. Total Fertility Rate, 1990-2021



Source: NCHS (various years)

U.S. Net Immigration, in Thousands, 1990-2022



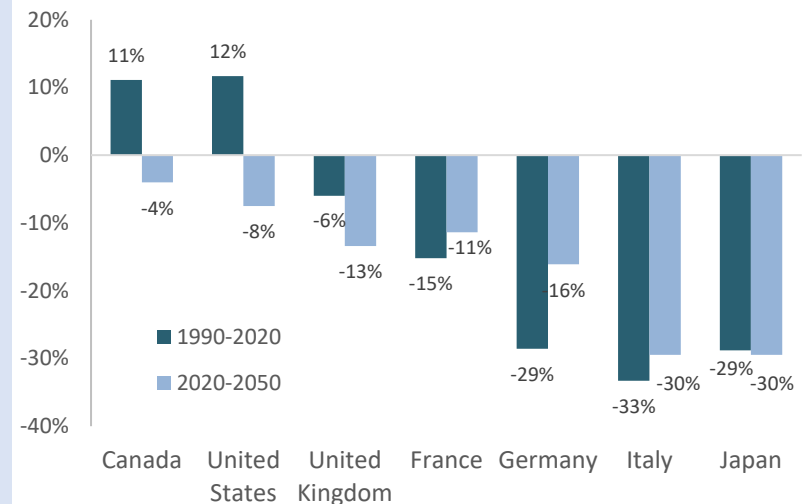
Note: Data for 1990-99 are from SSA; data for 2000-22 are from CBO.

Source: CBO (January 2023) and SSA (March 2023)

Chronic Manpower Shortages

- ❑ Service-age populations are stagnant or contracting in most developed countries, including the United States.
- ❑ Tighter civilian labor markets may exacerbate the challenge of recruiting and retaining adequate forces.
- ❑ Technology can reduce manpower needs for some missions, but “boots on the ground” will remain essential for occupying and pacifying territory, and may be critical in great power conflict.
- ❑ In any case, global aging will constrain the fiscal and economic capacity of the developed countries to substitute military capital for military labor.

Percentage Change in the Service-Age Population (Aged 20-29) from 1990 to 2020 and 2020 to 2050

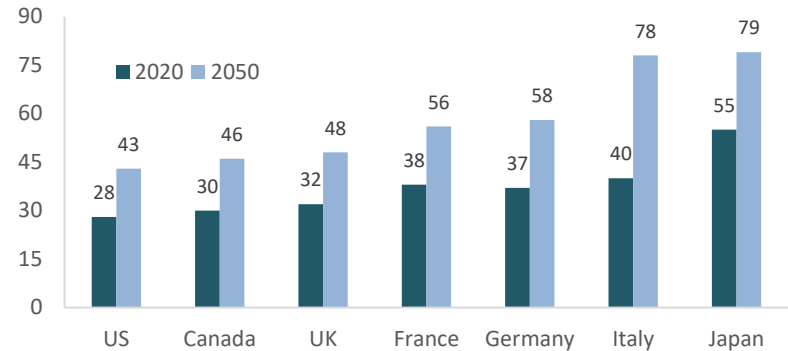


Source: UN Population Division (2022)

Rising Dependency Burdens

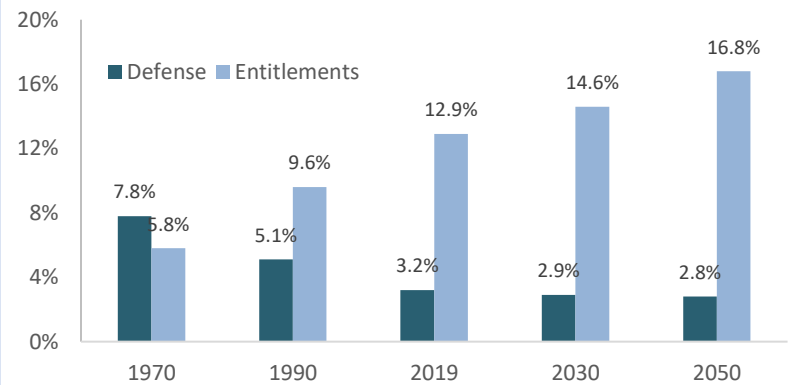
- ❑ Over time, lower fertility and higher life expectancy translate into a higher aged dependency ratio, which pushes up the cost of government retirement and health-benefit programs.
- ❑ Spending on old-age benefits in turn crowds other spending out of government budgets, including spending on national defense.
- ❑ Higher old-age dependency costs may be partially offset by lower youth dependency costs.
- ❑ However, the youth dependency ratio is projected to fall less than the aged dependency ratio is projected to rise, the old consume more per capita than the young, and most countries have socialized the cost of being old to a much greater extent than the cost of being young.

Aged Dependency Ratio of Elderly (Aged 65 & Over) per 100 Working-Age Adults (Aged 20-64) in 2020 and 2050



Source: UN Population Division (2022)

Federal Spending on National Defense and Entitlement Programs, as a Percent of GDP, 1970-2050



Source: CBO (February, May, and June 2023)

Slower Economic Growth

- ❑ Over time, lower fertility also translates into slower growth in the working-age population, which in turn translates into slower growth in employment and GDP.
- ❑ Productivity may also improve more slowly in aging societies, further dragging down economic and living standard growth:
 - More slowly growing workforces mean less demand for capital-broadening investment and a slower turnover in the capital stock.
 - Aging workforces may be less flexible, less mobile, and less entrepreneurial.
 - Economies will be increasingly dominated by service industries resistant to productivity improvements (“Baumol’s Cost Disease”).

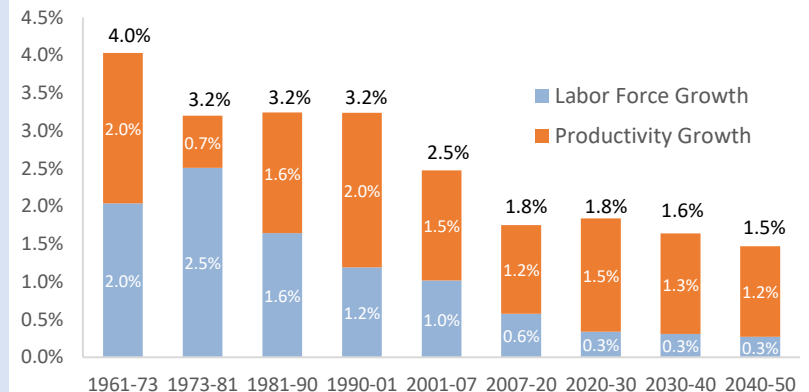
- ❑ Real GDP growth in the United States could fall to just half of its postwar average. Japan and some European countries may face “secular stagnation”—that is, zero growth in real GDP across the business cycle.

Average Annual Growth Rate in the Working-Age Population (Aged 20-64), by Decade

	1980s	1990s	2000s	2010s	2020s	2030s	2040s
Canada	1.7%	1.1%	1.3%	0.7%	0.2%	0.5%	0.3%
France	1.0%	0.4%	0.6%	-0.3%	-0.2%	-0.2%	-0.3%
Germany	1.1%	0.3%	-0.5%	0.1%	-0.9%	-0.6%	-0.4%
Italy	0.9%	0.2%	0.2%	-0.3%	-0.8%	-1.4%	-1.1%
Japan	0.7%	0.4%	-0.4%	-1.0%	-0.6%	-1.3%	-1.2%
UK	0.7%	0.4%	0.7%	0.4%	0.0%	0.1%	-0.1%
US	1.3%	1.2%	1.1%	0.6%	0.2%	0.2%	0.1%

Source: UN Population Division (2022)

Average Annual Growth Rate in Real Potential U.S. GDP, by Period and Component, 1961-2050

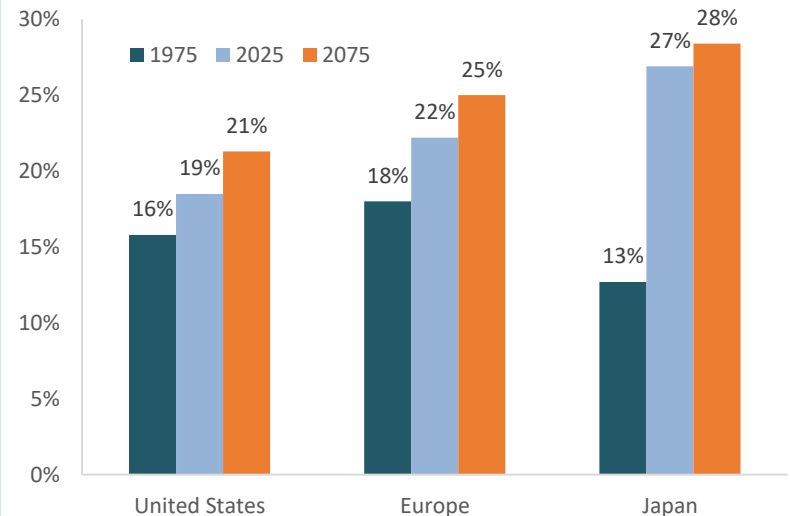


Source: CBO (July 2021 and July 2022)

The Psychology of Aging Societies

- ❑ There may also be psychological dynamics to population aging that further undermine economic growth and complicate the challenge of ensuring national and global security.
- ❑ With the size of domestic markets growing more slowly or even contracting, we may see more cartel behavior to protect market share and more restrictive rules on hiring and firing to protect jobs. We may also see increasing pressure on governments to block foreign competition.
- ❑ Shifts in business and market psychology could be mirrored by broader shifts in social mood. Slow-growth, aging societies may become more risk averse, have shorter time horizons, and be less willing to make investments with long-term payoffs.
- ❑ A robust statistical literature establishes that extremely youthful societies are often dysfunctional. Extremely aged societies may also prove dysfunctional in some ways, favoring consumption over investment, the past over the future, and the old over the young.

Share of the Population with 20 or Fewer Years of Life Remaining in 1975, 2025, and 2050



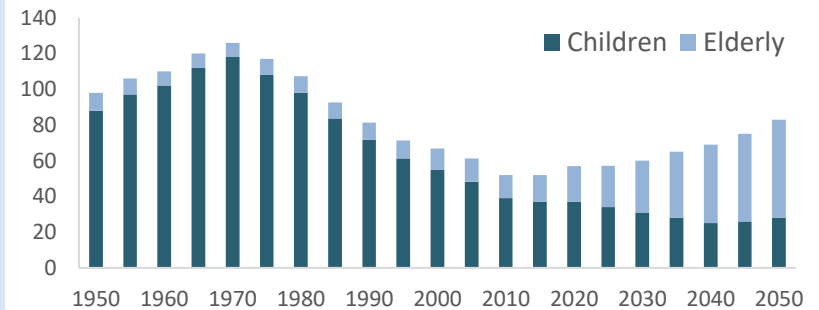
Source: UN Population Division (2022)

The Outlook for China, Russia, and India

CHINA: Yesterday's Demographic Tailwinds

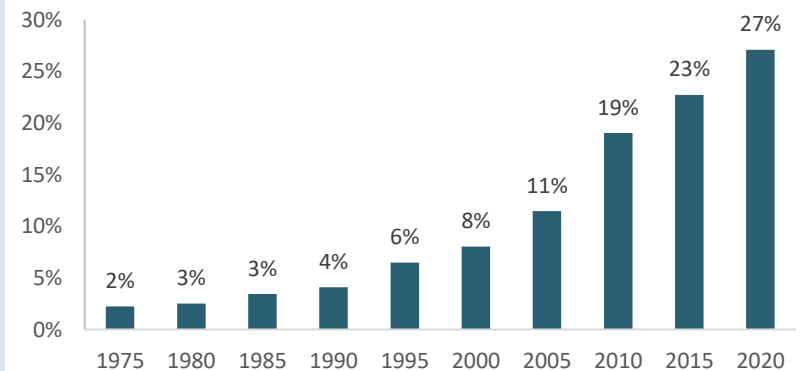
- For the past three decades, China's unusually favorable demographics, with a record low dependency burden and a record high share of the population in the working years, have helped to propel its economic rise.
- China's success at boosting living standards while maintaining social stability has also helped to increase the appeal of its authoritarian political model in emerging markets around the world.
- In the decades to come, population aging and population decline threaten to weaken the twin pillars of the current regime's legitimacy.

Chinese Total Dependency Ratio of Children Plus Elderly per 100 Working-Age Adults, 1950-2050



Source: UN Population Division (2022)

Chinese GDP Per Capita, in PPP Dollars, as a Percent of U.S. GDP Per Capita, 1975-2020

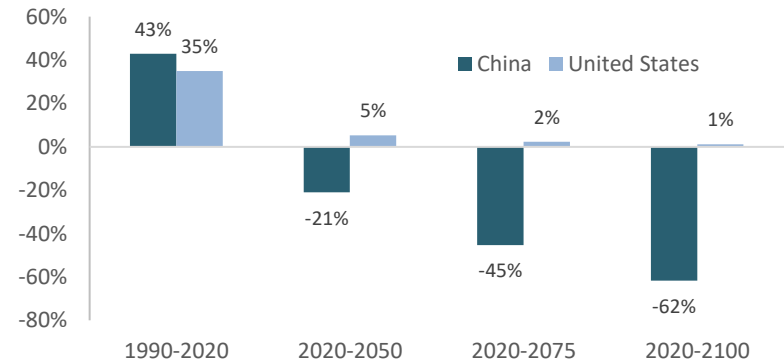


Source: World Bank (2017 and 2023)

CHINA: Tomorrow's Demographic Head Winds

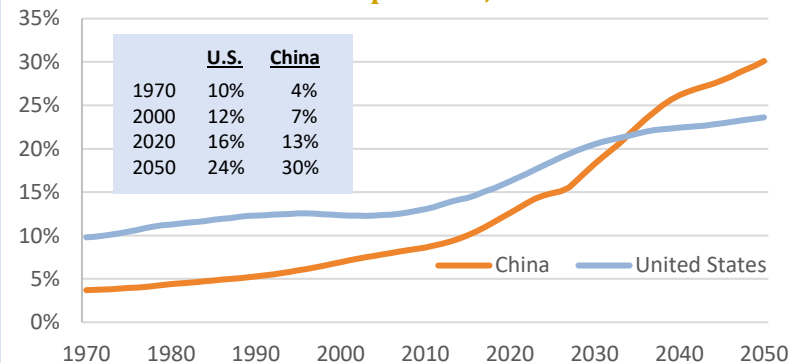
- ❑ The dramatic contraction in China's working-age population will translate into a dramatic slowdown in economic and living-standard growth.
- ❑ The slowdown could be exacerbated by the end of rural to urban migration, China's huge debt overhang, the government's increasing interference in the private sector, and the rising fiscal burden of retirement and health-care spending as the population ages.
- ❑ Until recently, it seemed inevitable that China would soon eclipse the United States as the world's largest economy. Today, it seems more likely that it will peak in size just before it achieves GDP parity, then enter a long relative decline.
- ❑ China's growing demographic and economic challenges greatly increase the risk of great power conflict.

Percentage Change in the Chinese and U.S. Working-Age Population (Aged 20-64), by Period, 1990-2100



Source: UN Population Division (2022)

Chinese and U.S. Elderly (Aged 65 & Over), as a Percent of the Population, 1970-2050

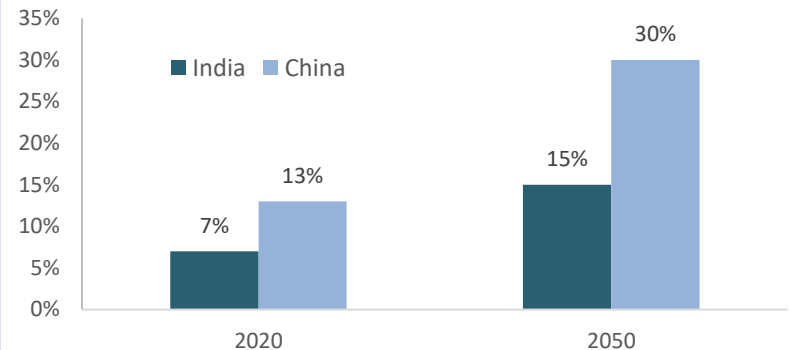


Source: UN Population Division (2022)

INDIA: Important Demographic Advantages

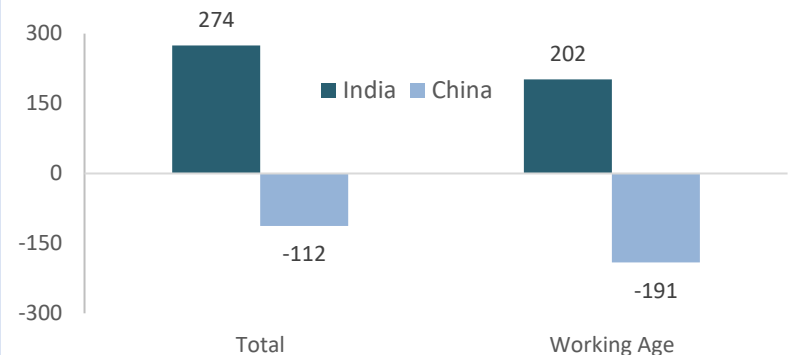
- ❑ India is progressing through the demographic transition more gradually than China, where birthrates have fallen much faster and further.
- ❑ While China has now entered the final stage of the transition in which an aging and contracting population will lean against economic growth, India is still enjoying a demographic dividend and will continue to do so for decades to come.
- ❑ India's favorable demographics could greatly enhance its future economic and geopolitical stature, both absolutely and relative to China.
- ❑ However, India will have to overcome a number of serious obstacles if it is to fully leverage its demographic dividend.

Elderly (Aged 65 & Over), as a Percent of the Population in India and China in 2020 and 2050



Source: UN Population Division (2022)

Change in the Total and Working-Age Population in India and China, in Millions, from 2020 to 2050

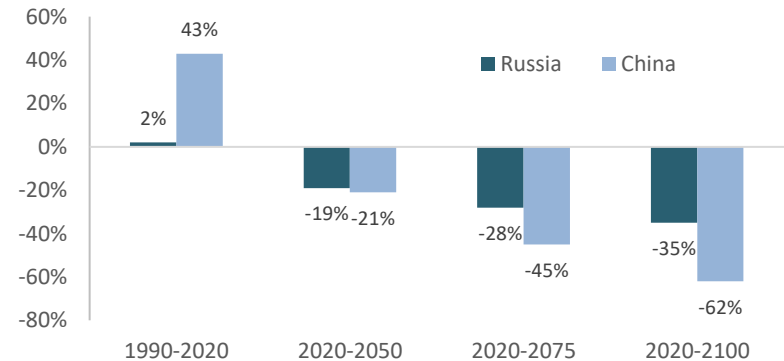


Source: UN Population Division (2022)

RUSSIA: A Cornered Bear

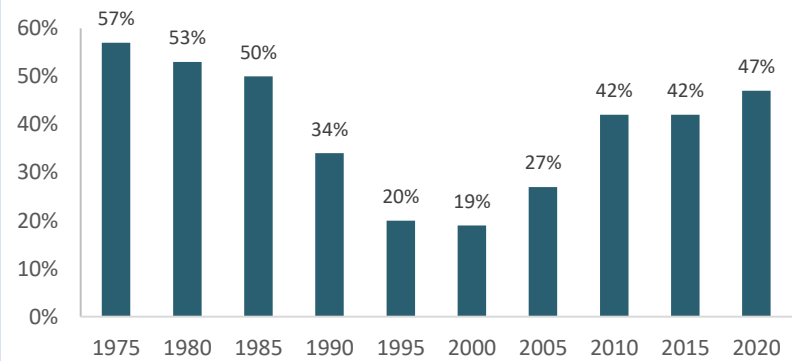
- ❑ Like China, Russia faces a future of long-term population decline. The decline will not be as steep, because the fertility rate has not fallen as far as it has in China. Yet in many ways the challenge is even more daunting.
- ❑ Russia, after all, has none of China's compensating advantages. It is failing to invest adequately in human capital, health expectancy and life expectancy have deteriorated, the economy remains dependent on resource extraction, and living standard growth has stagnated.
- ❑ In no other of today's great powers are the regime's geopolitical aspirations so out of line with its long-term demographic and economic fundamentals as they are in Russia.
- ❑ In *The Graying of the Great Powers*, published in 2008, Neil Howe and I asked: "Will Russia meekly accept its demographic fate, or will the cornered bear lash out in revanchist fury?" We now know the answer.

Percentage Change in the Russian and Chinese Working-Age Population (Aged 20-64), by Period, 1990-2100



Source: UN Population Division (2022)

Russian GDP Per Capita, in PPP Dollars, as a Percent of U.S. GDP Per Capita, 1975-2020

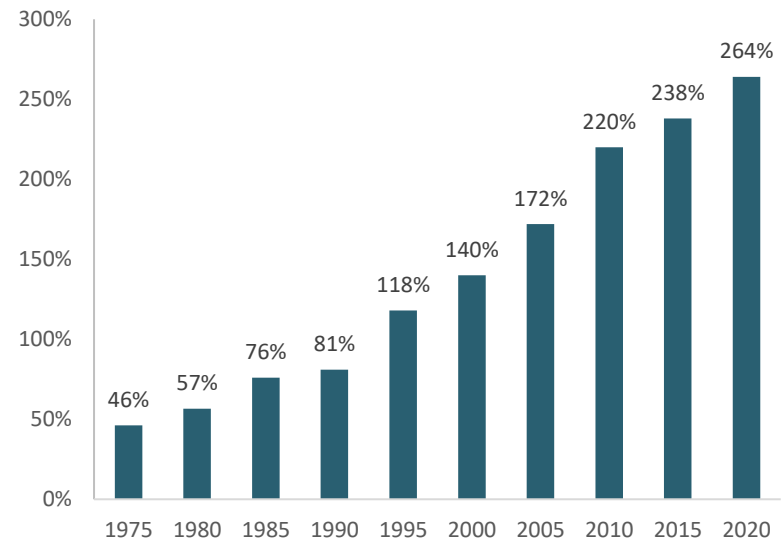


Source: World Bank (2017 and 2023)

INDIA: Serious Obstacles to Long-Term Success

- ❑ Along with its favorable demographics, India enjoys some enviable economic advantages, including a large English-speaking middle class and globally competitive high-tech industries.
- ❑ But India also faces serious obstacles to long-term economic and geopolitical success, including large infrastructure and human capital deficits and deep-seated ethnic and religious divisions.
- ❑ Its “leap-frog development strategy,” moreover, provides no clear path for integrating its huge reservoir of unskilled rural labor into the growth sectors of the economy.
- ❑ Over the past few decades, China’s economic and living standard growth has vastly outpaced India’s. While India’s more favorable demographics may give it a long-term advantage, its ultimate success is far from assured.

Chinese GDP per Capita, in PPP Dollars, as a Percent of Indian GDP per Capita, 1975-2020

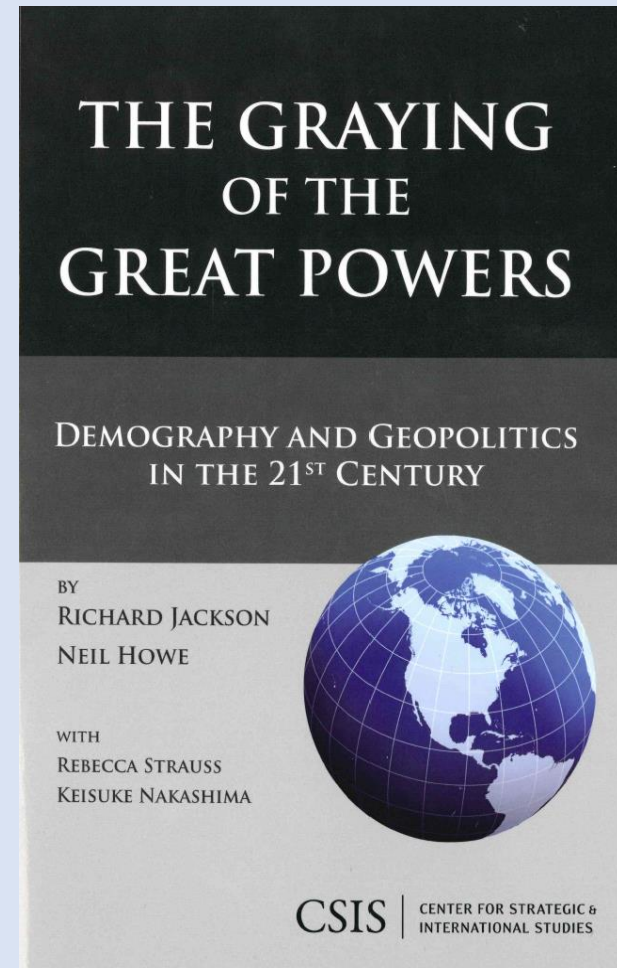


Source: World Bank (2017 and 2023)

CONCLUSION

Some Key Lessons

- ❑ Trying to understand the strategic landscape of the 21st century without understanding demographic trends is like setting sail without a map or compass.
- ❑ Authoritarian regimes may respond very differently to the stresses of population aging than democratic ones. Although all of today's great powers are aging, they are not moving in tandem toward a "geriatric peace."
- ❑ Current global demographic trends are accentuating geopolitical risk, with the period of maximum danger arriving in the mid-2020s to mid-2030s.
- ❑ An aging world would benefit greatly from globalization. Unfortunately, demographic trends may be pushing us toward conflict rather than cooperation.



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