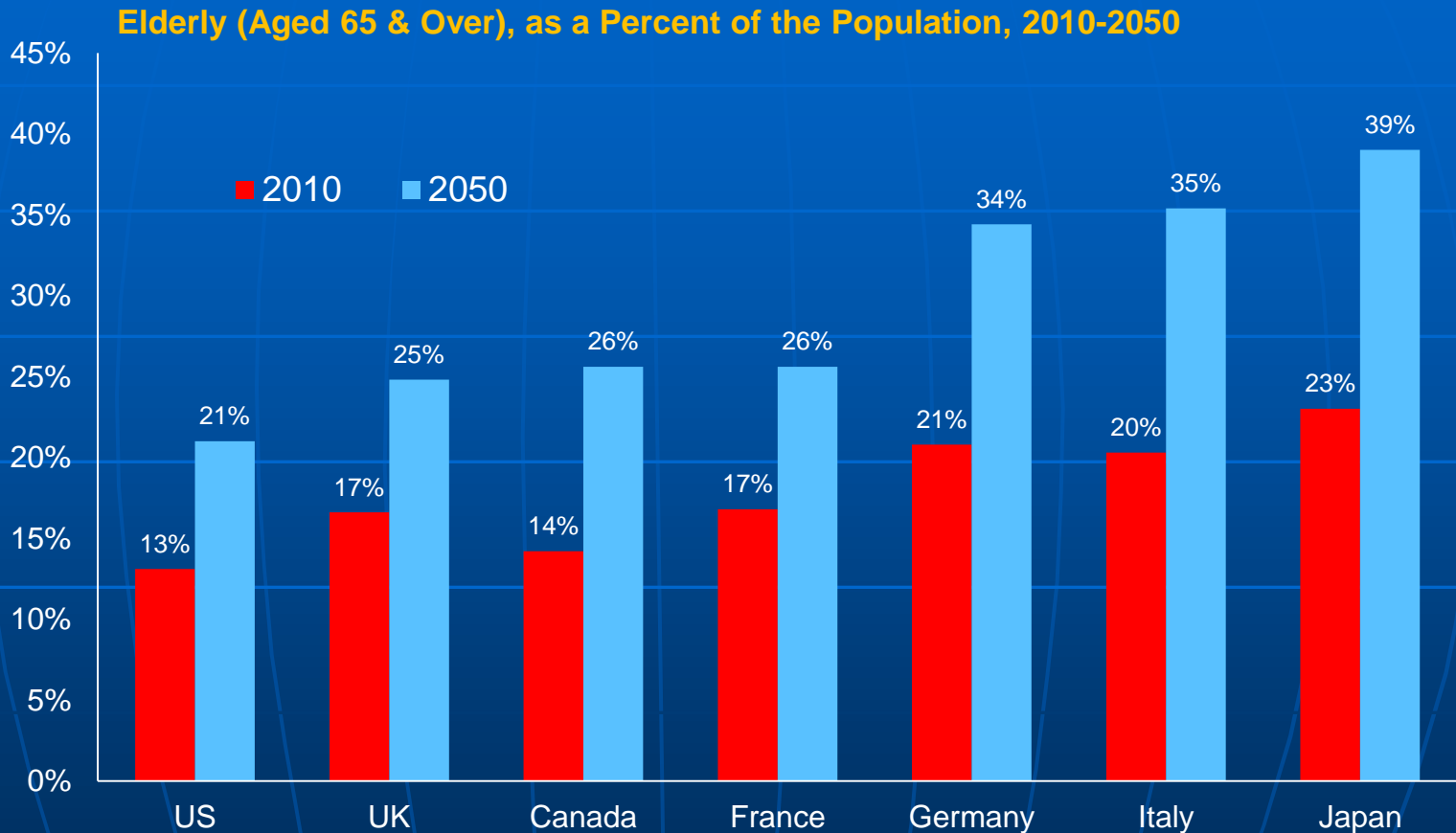


How Global Aging Will Reshape the Geopolitical Landscape of the 21st Century

**Richard Jackson
President
Global Aging Institute**

**Japan-U.S. Joint Policy Forum
Woodrow Wilson Center & Sasakawa Foundation
October 9, 2014
Tokyo**

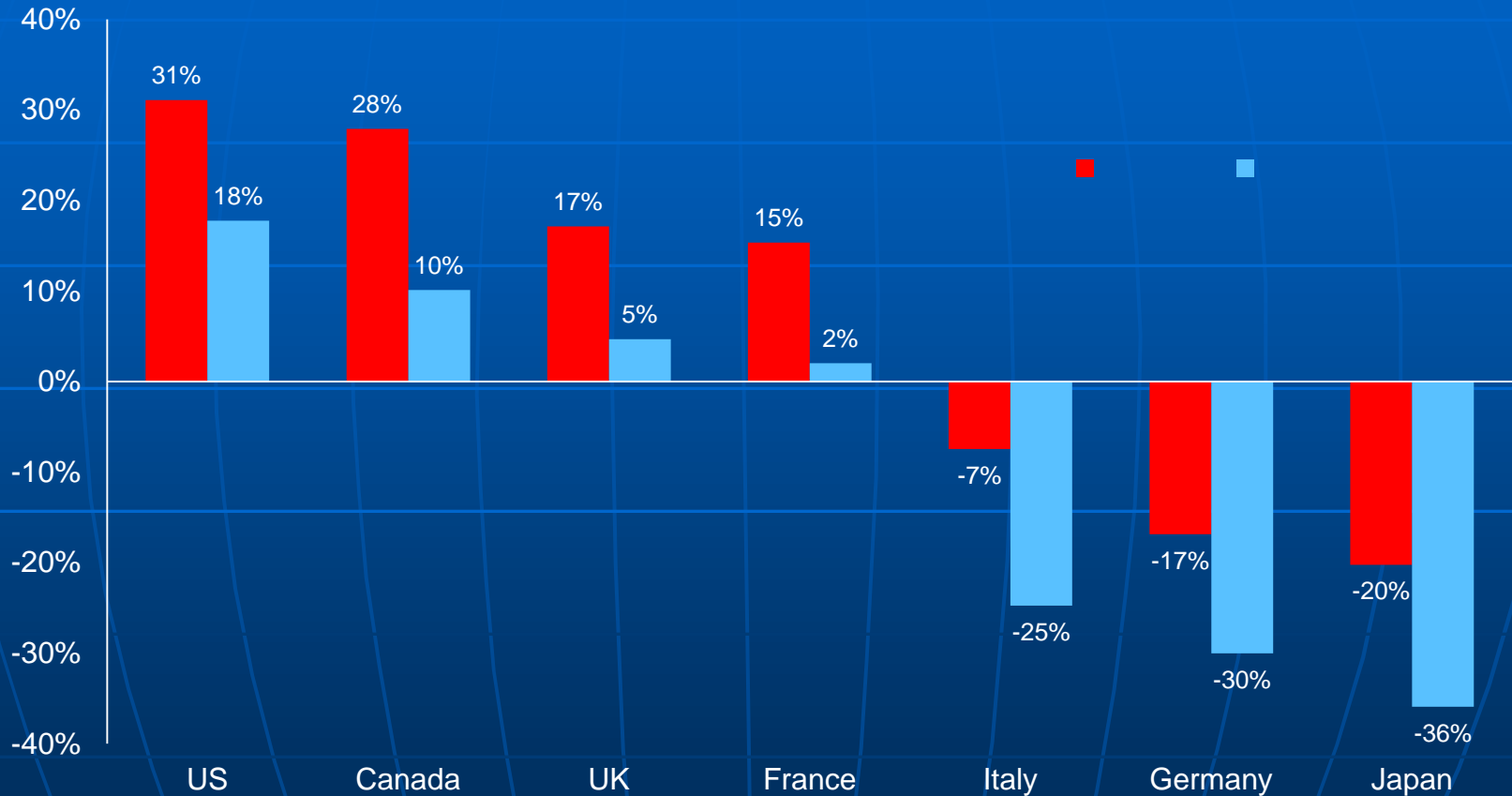
The developed world is leading the way into humanity's graying future.



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



October 9, 2014 Panel I Jackson

Source: UN (2013)

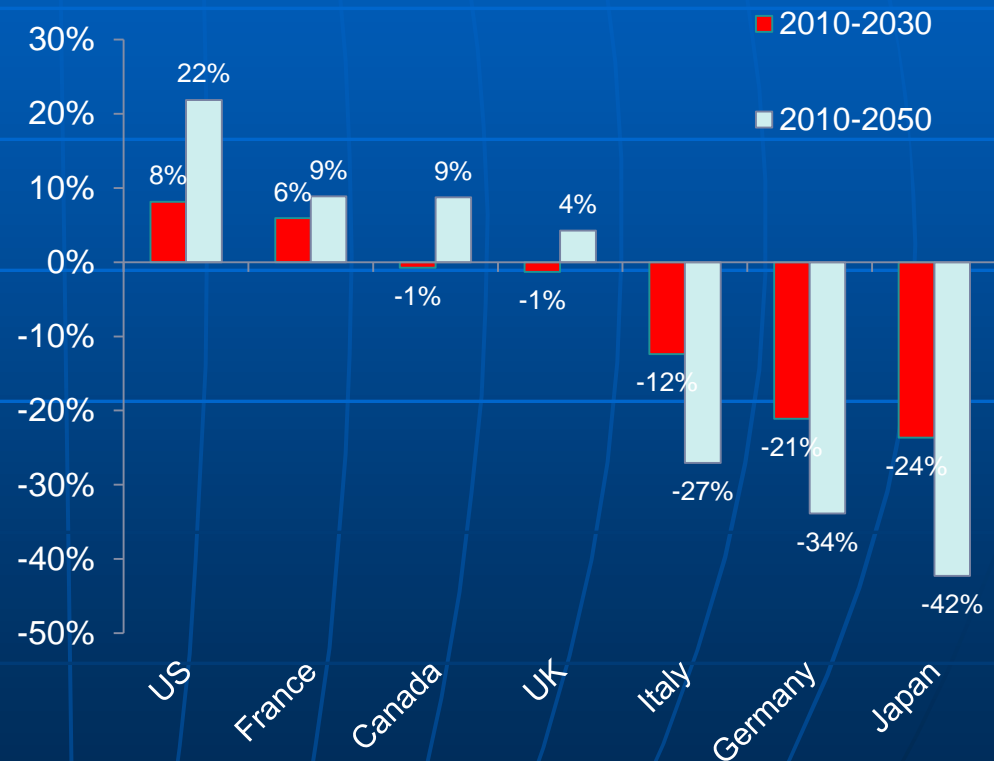
Constraints on the Developed World

October 9, 2014 Panel I Jackson

Manpower Shortages

- ❑ Most developed countries 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.

Cumulative Percentage Change in the "Service Age" Population (Aged 20-34), 2010-2050

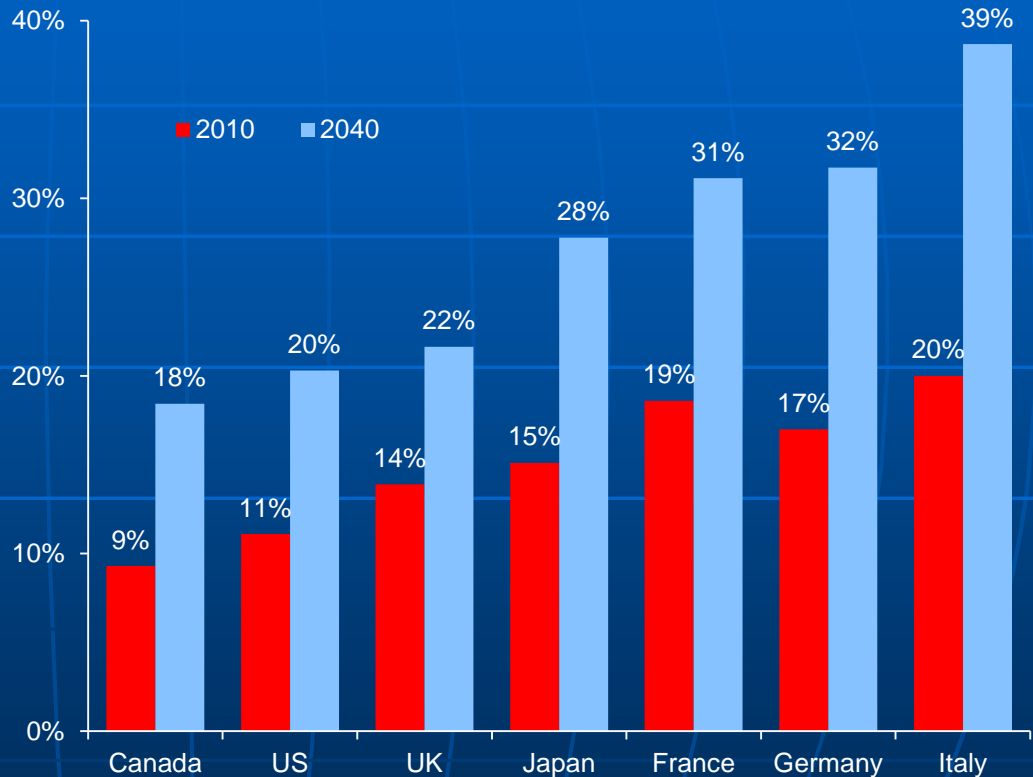


Source: UN (2013)

October 9, 2014 Panel I Jackson

Growing Fiscal Burdens

“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.

Source: *The Global Aging Preparedness Index, Second Edition* (CSIS, 2013)

October 9, 2014 Panel I Jackson

Slower Economic Growth

- ❑ 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

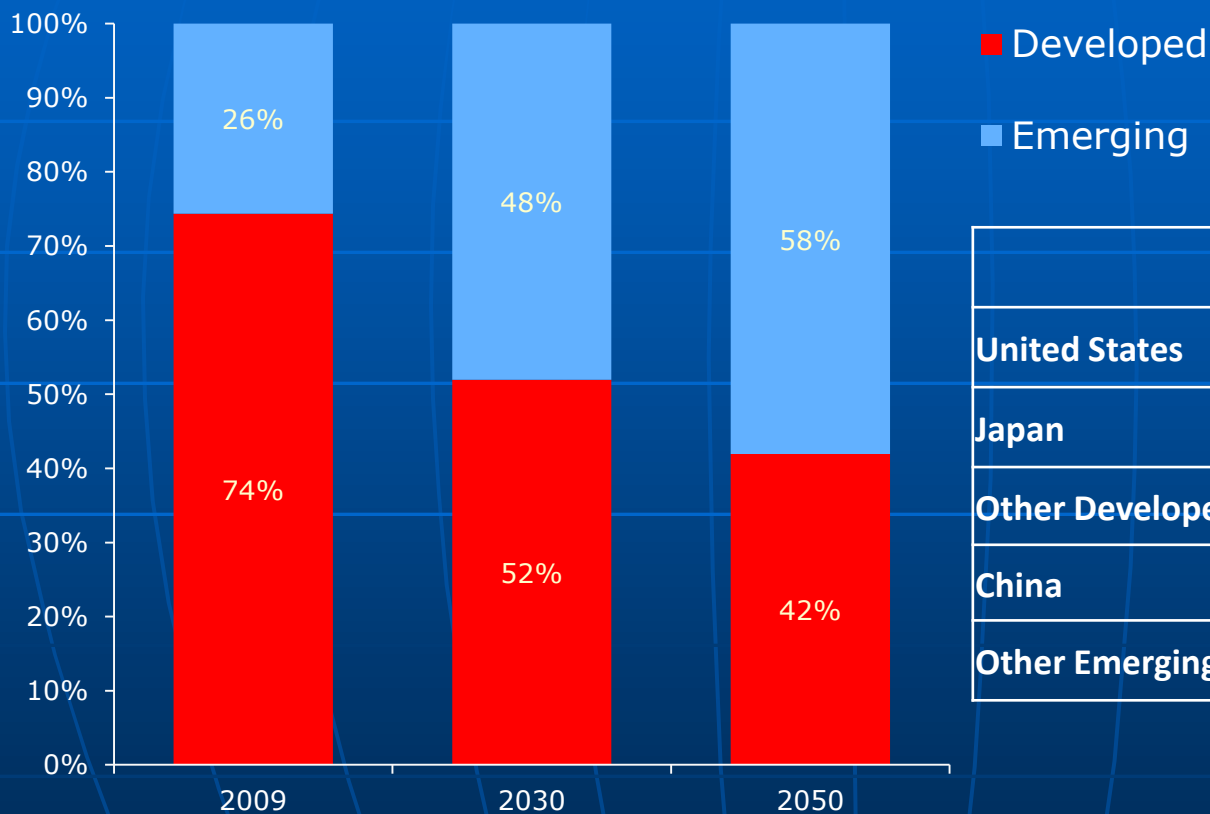
	1980s	1990s	2000s	2010s	2020s	2030s	2040s
Canada	1.9%	1.2%	1.4%	-0.1%	-0.1%	0.4%	0.2%
France	1.1%	0.4%	0.8%	0.0%	0.0%	0.0%	0.3%
Germany	1.2%	0.2%	-0.3%	-0.3%	-1.1%	-1.1%	-0.9%
Italy	0.9%	0.2%	0.4%	-0.2%	-0.6%	-1.1%	-0.8%
Japan	0.8%	0.4%	-0.4%	-0.9%	-0.7%	-1.3%	-1.3%
UK	0.7%	0.4%	0.6%	0.2%	0.0%	0.1%	0.2%
US	1.4%	1.3%	1.1%	0.4%	0.1%	0.5%	0.5%

Source: UN (2013)

October 9, 2014 Panel I Jackson

Relative Economic Decline

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



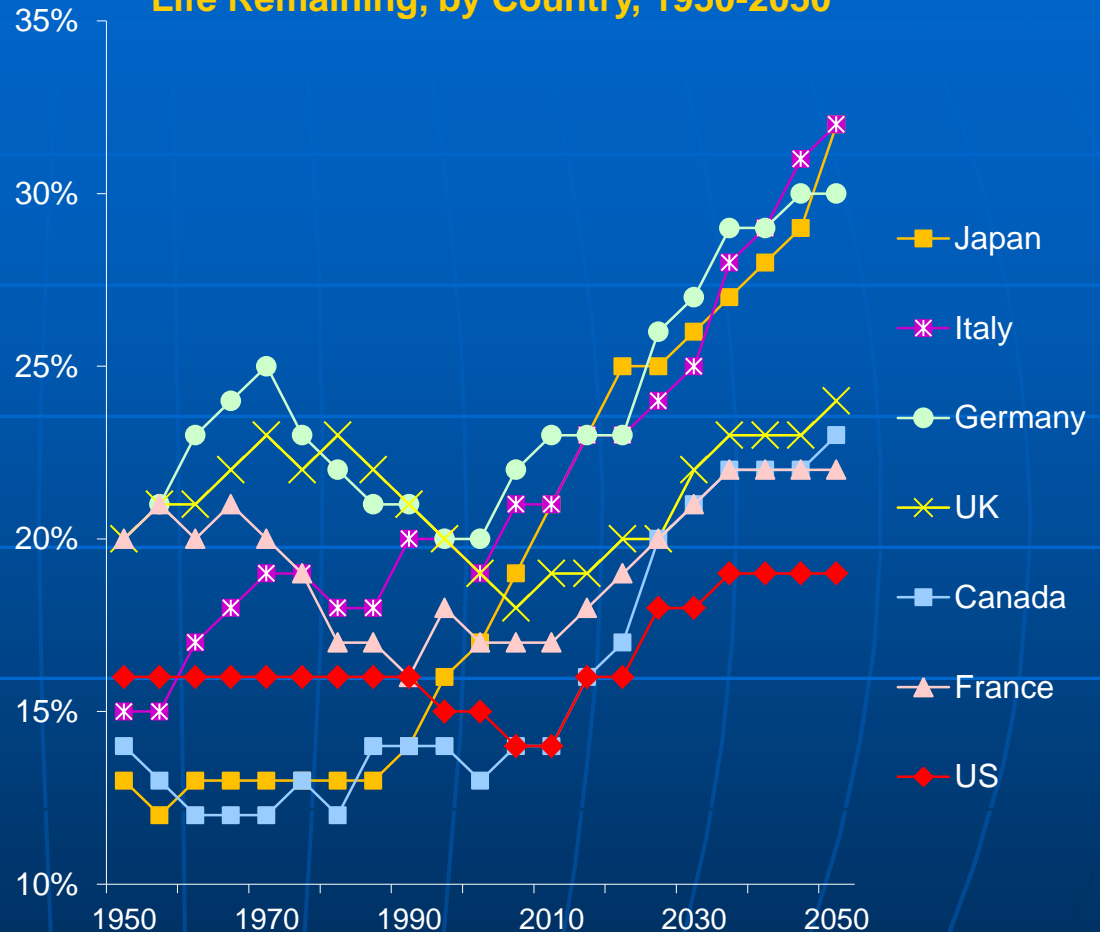
	2009	2030	2050
United States	34%	26%	24%
Japan	12%	7%	4%
Other Developed	27%	17%	12%
China	9%	25%	29%
Other Emerging	19%	25%	30%

Source: Carnegie Endowment for International Peace (2010)

A More Risk-Averse Social Mood

- ❑ 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.

Share of Population with Less than 20 Years of Life Remaining, by Country, 1950-2050

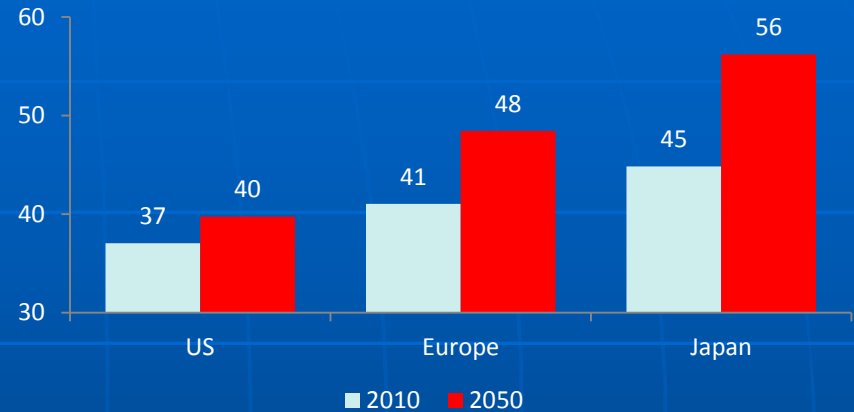


Source: Author's calculations based on UN (2007) and Human Mortality Database, University of California, Berkeley and Max Planck Institute for Demographic Research

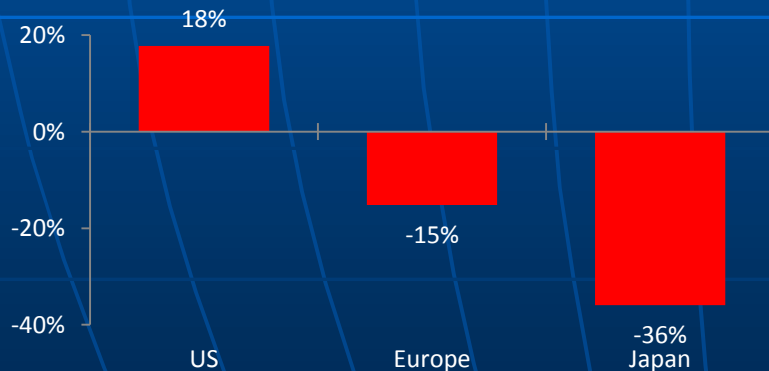
U.S. Demographic Exceptionalism

- 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.

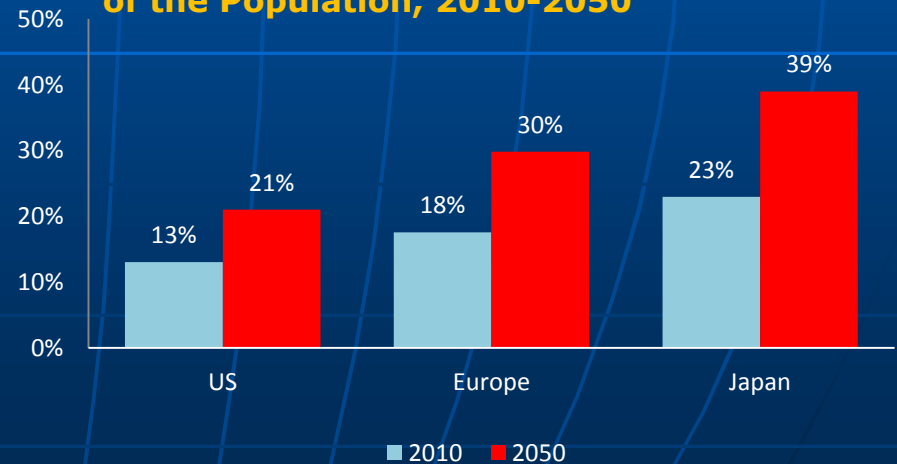
Median Age, 2010-2050



Cumulative Percentage Change in the Working-Age Population (Aged 20-64), 2010-2050



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



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

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

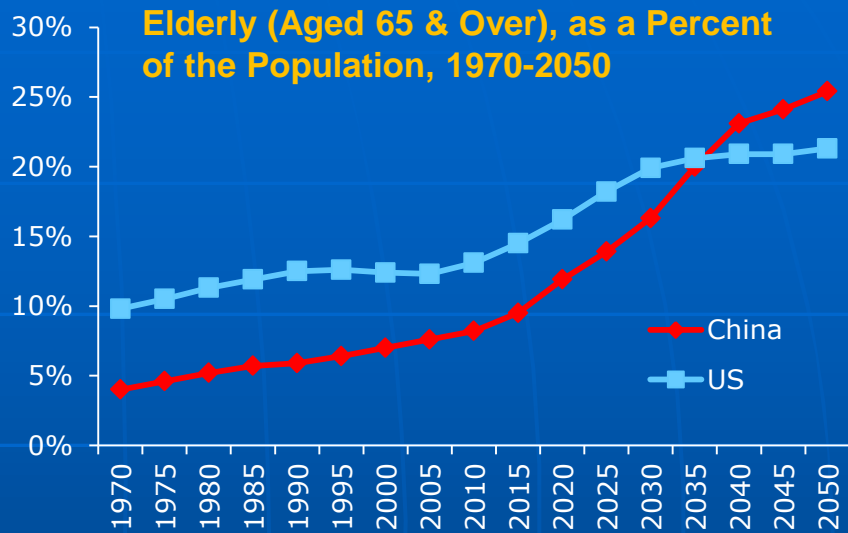
Working-Age Population (Aged 20–64), as a Percent of the Total Population, 1975–2050

	1975	1990	2000	2010	2030	2050
Sub-Saharan Africa	42%	41%	42%	43%	47%	52%
Greater Middle East	42%	44%	47%	53%	58%	59%
East Asia	46%	55%	59%	65%	62%	57%
South Asia	45%	48%	51%	55%	60%	60%
Eastern Europe	58%	59%	61%	65%	61%	58%
Latin American	44%	48%	52%	56%	59%	57%

Source: UN (2013)

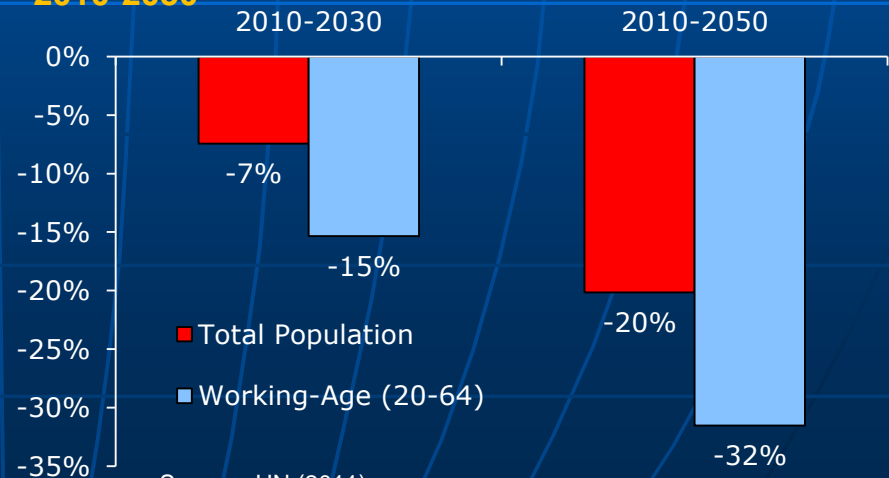
Caveat One: The Uneven Pace of the Demographic Transition

- ❑ 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.



Source: UN (2011)

Percentage Change in the Russian Population, 2010-2050

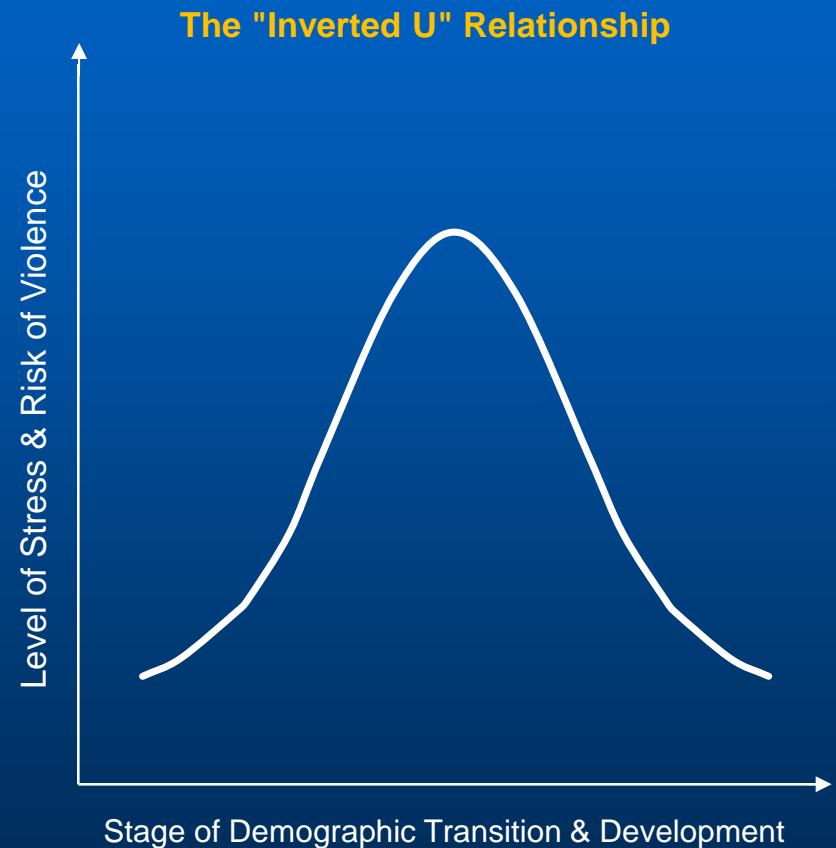


Source: UN (2011)

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.

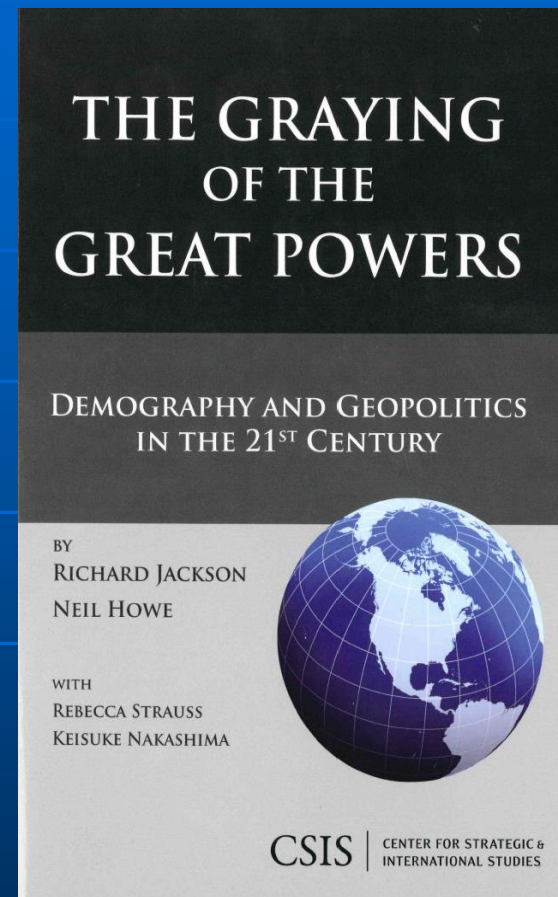
- ❑ These stressors include:
 - Contact with the global marketplace and culture
 - Urbanization
 - Environmental degradation
 - Growing income inequality
 - Growing ethnic competition
 - Religious extremism



Conclusion

Crisis of the 2020s? A Confluence of Challenges

- ❑ 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.



www.GlobalAgingInstitute.org