

# The Graying of the Great Powers

*Demography and Geopolitics in the 21<sup>st</sup> Century*

presentation by

**Neil Howe and Richard Jackson**  
**CSIS Global Aging Initiative**

**Woodrow Wilson Center**  
**Washington, DC**

**January 27, 2009**



# Outline of Issues

- ❑ **Purpose, Scope, and Assumptions**
- ❑ **Trends in U.S. and Other Developed Countries**
- ❑ **Developed World: Impact on Ability to Maintain Security**
- ❑ **Developing World: The Perils of the Transition**
- ❑ **Likely Critical Decade: the 2020s**
- ❑ **Framework for Policy Action\***

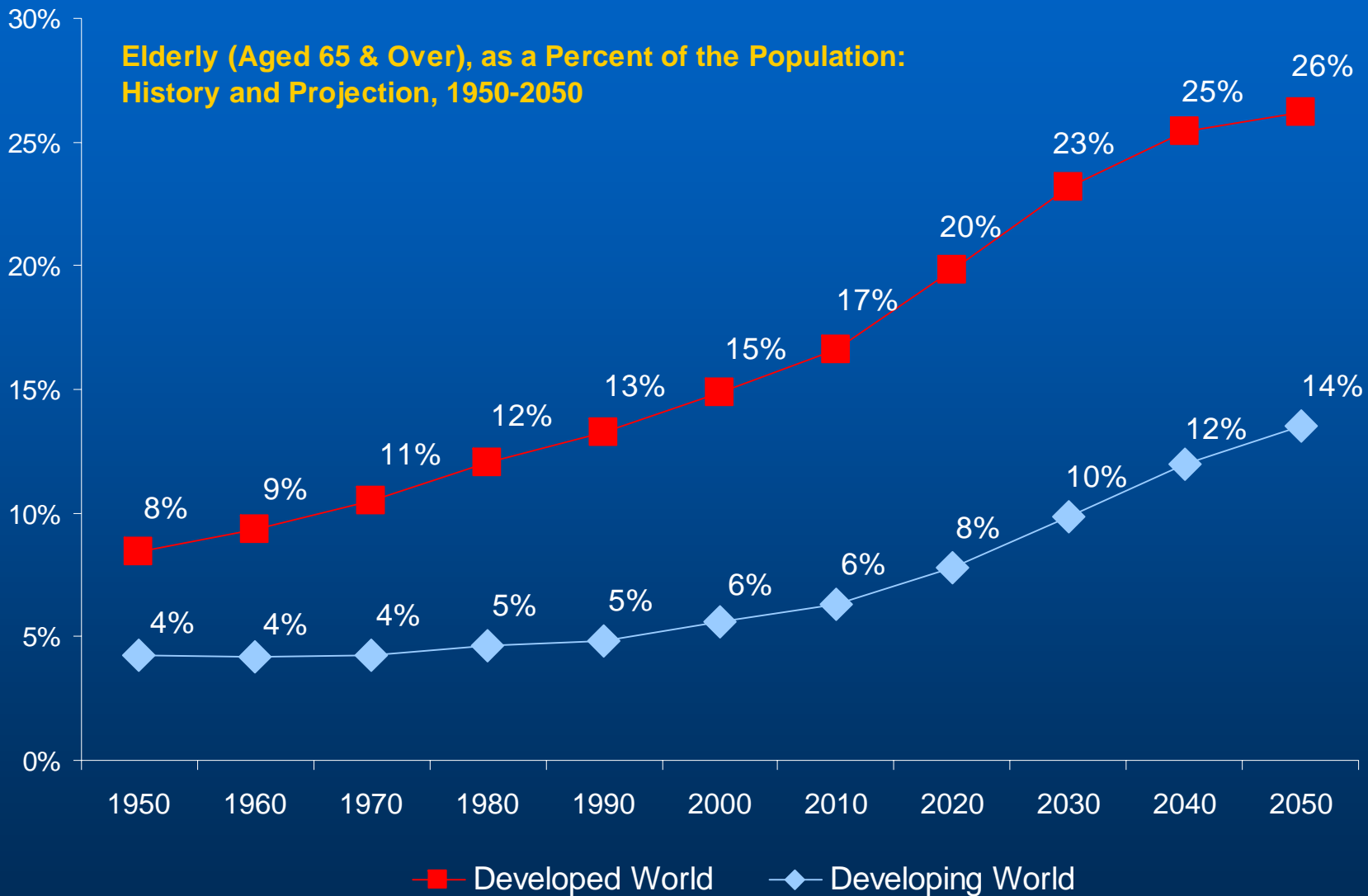


# The Developed World: Assessing the Projections

- ❑ **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**
- ❑ **Global Aging: As Close as Social Science Comes to a Certain Prediction about the Future**



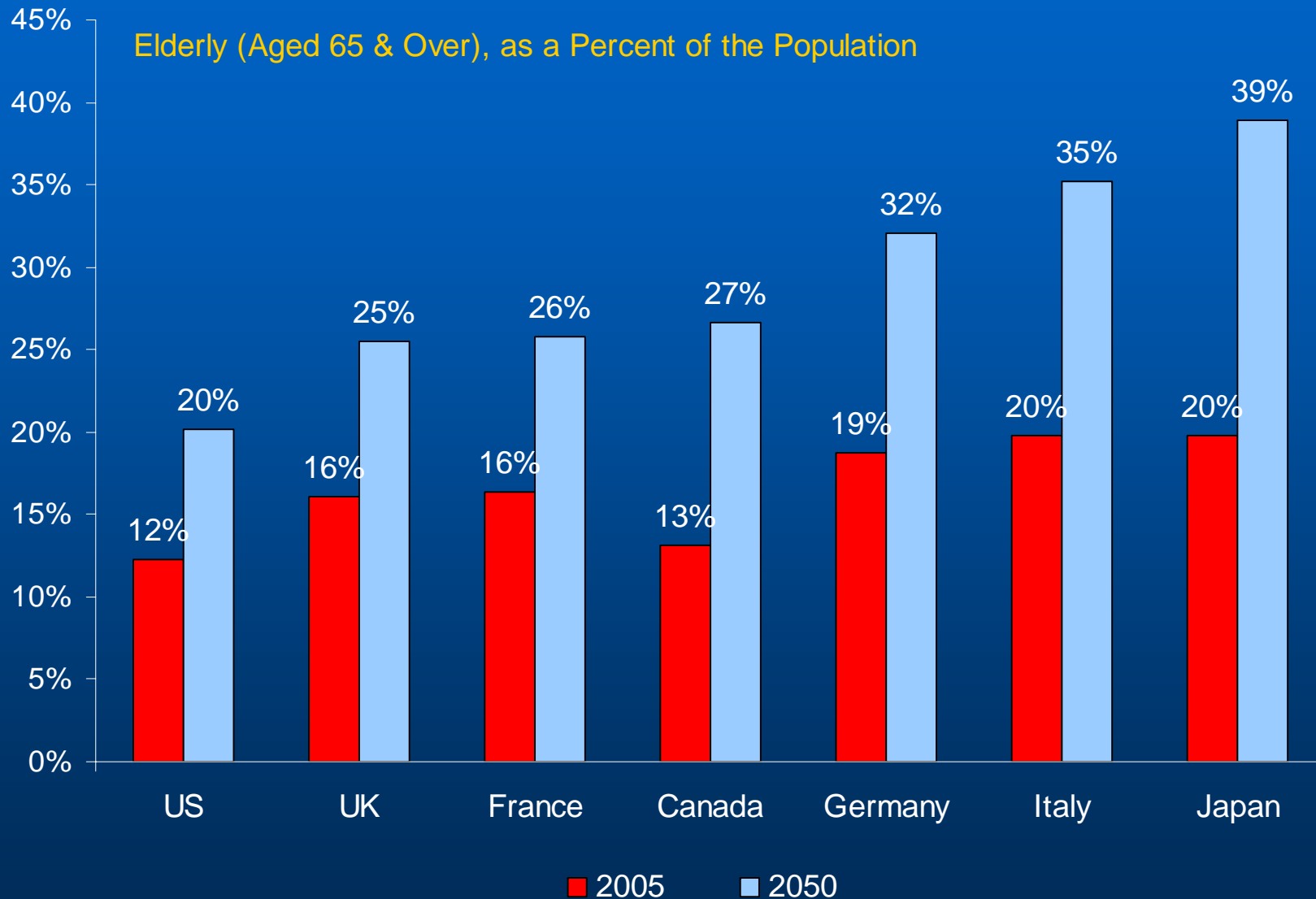
# The Developed World: Assessing the Projections



Source: UN (2007)



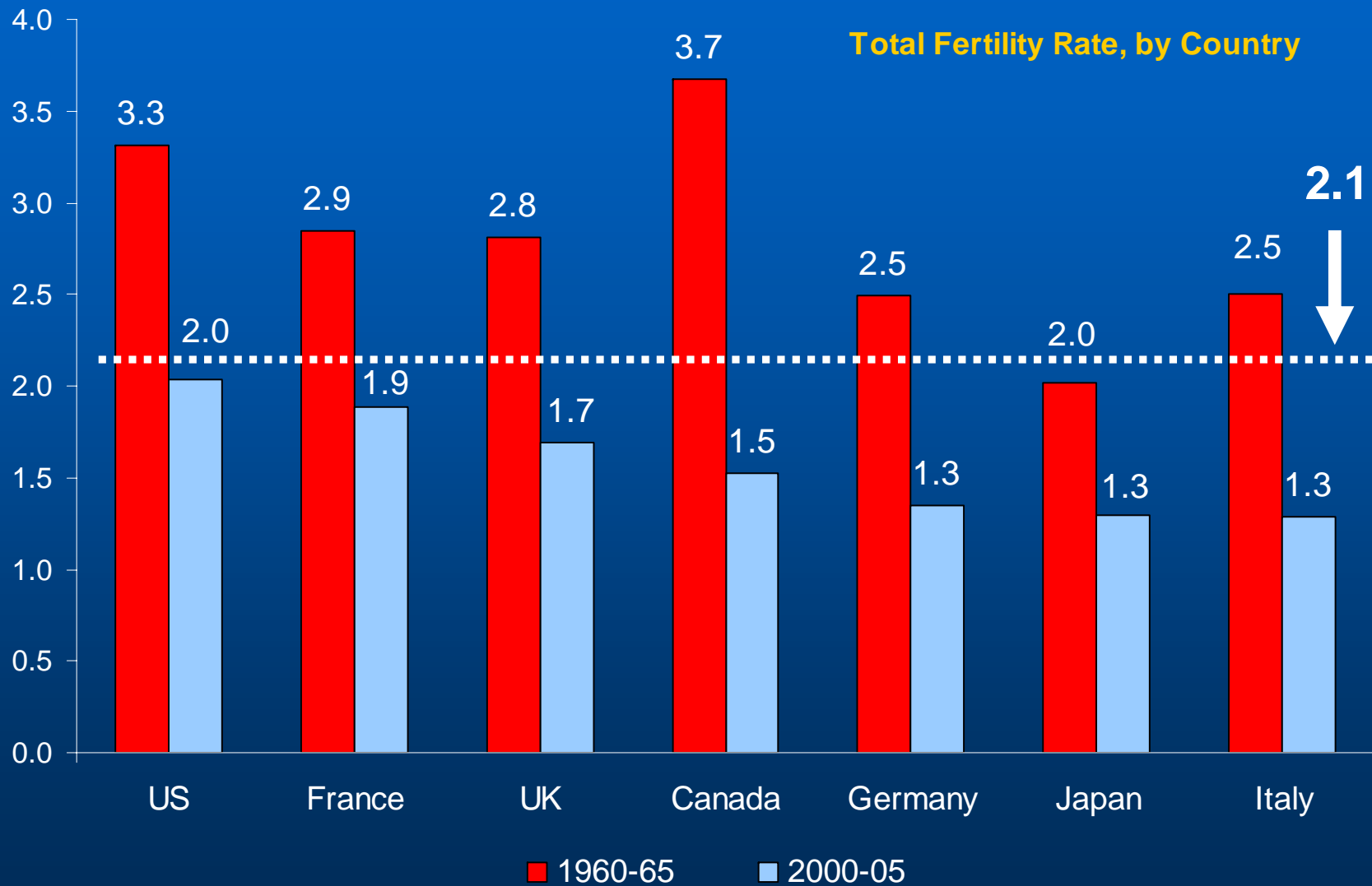
# The Developed World: Assessing the Projections



Source: UN (2007)



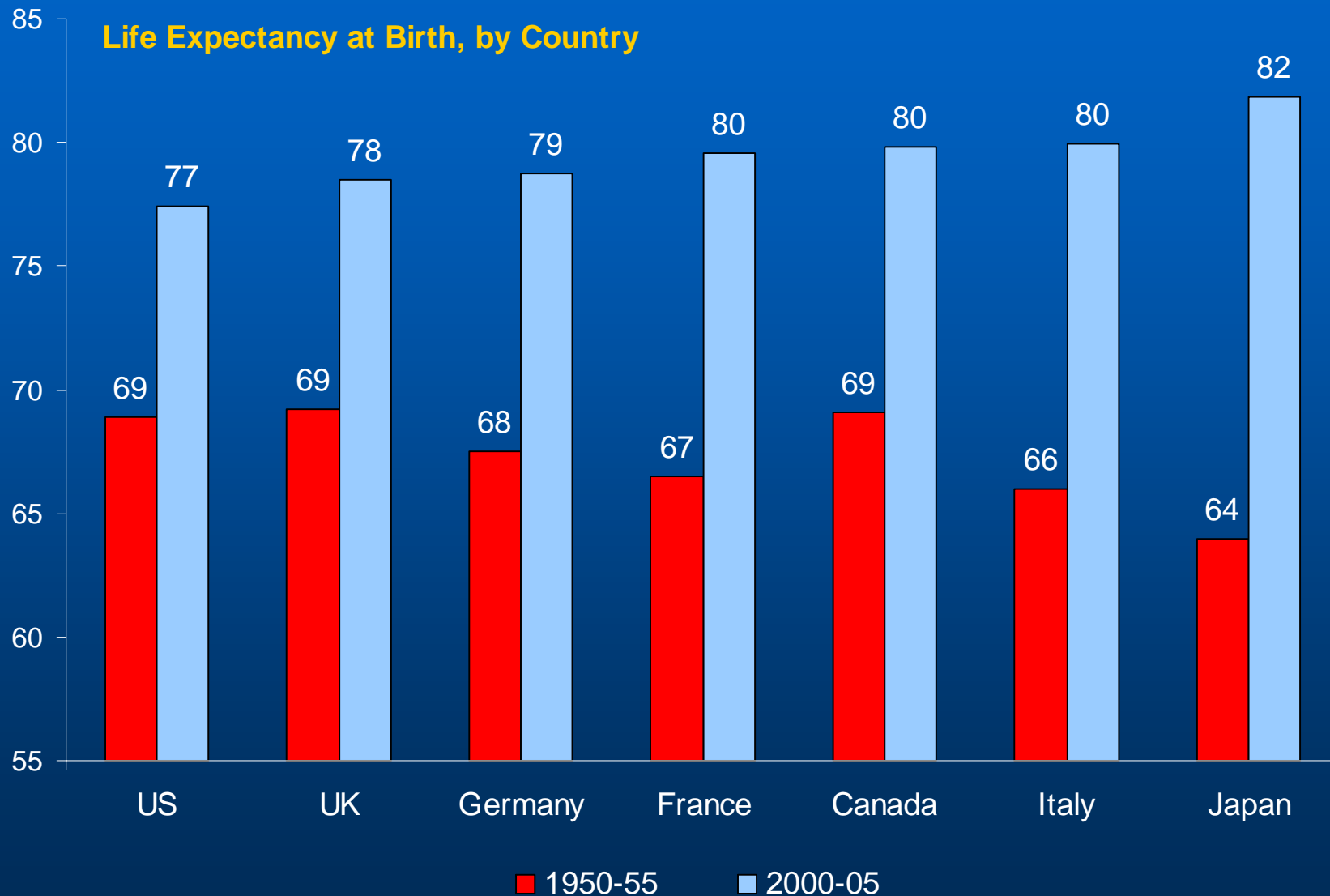
# The Developed World: Assessing the Projections



Source: UN (2007)



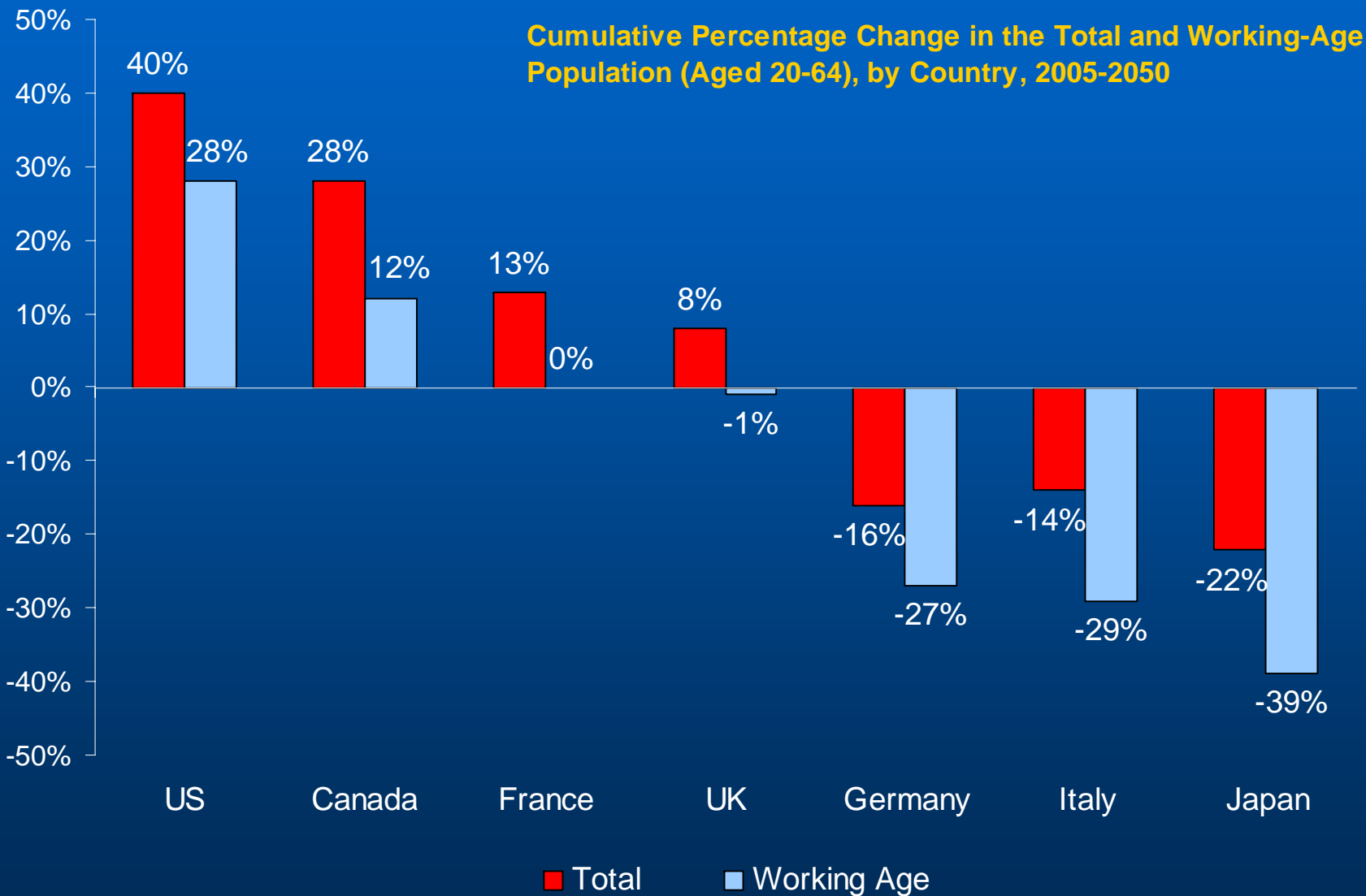
# The Developed World: Assessing the Projections



Source: UN (2007)



# The Developed World: Assessing the Projections



Source: UN (2007)



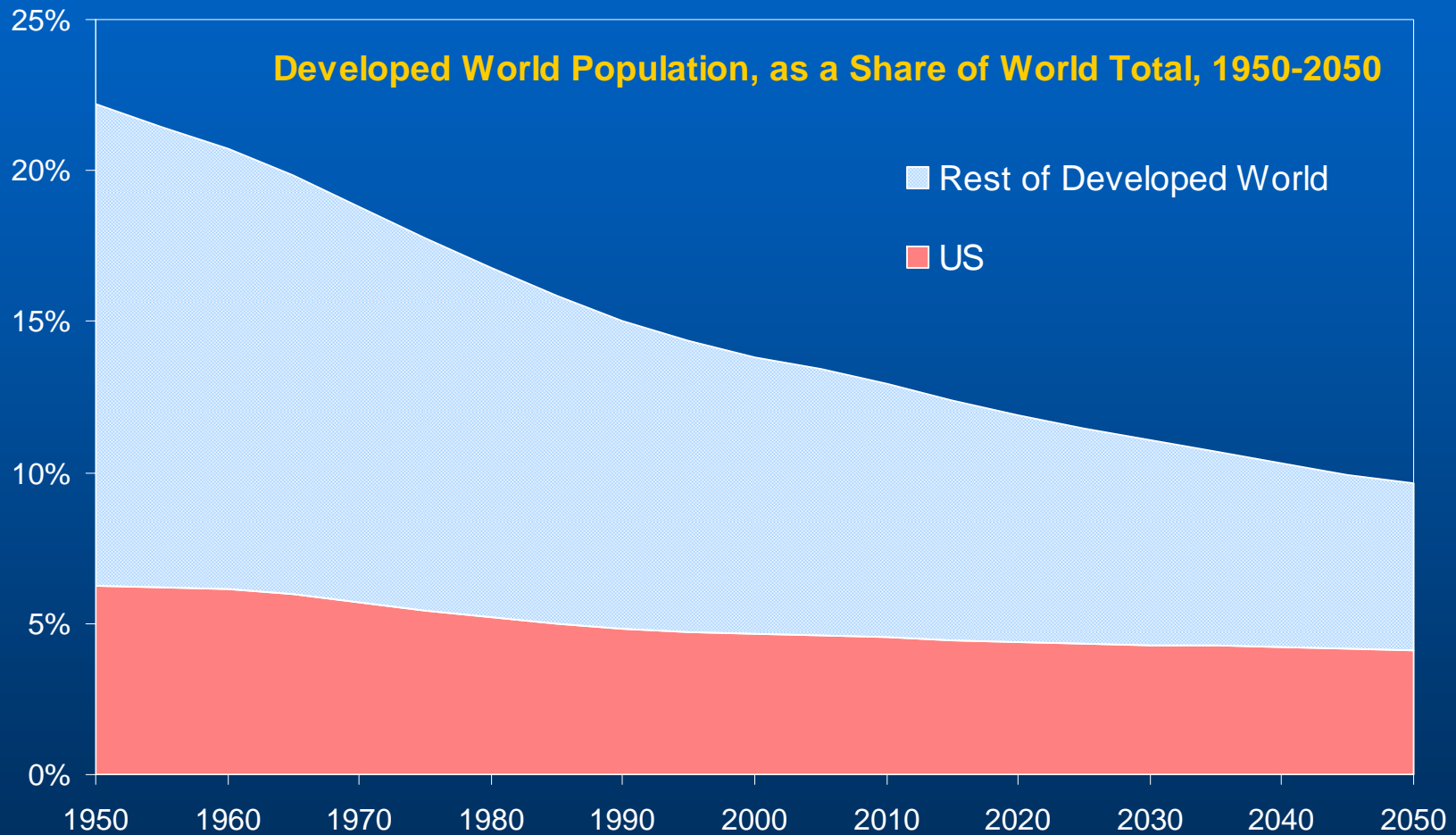


# Consequences for the Developed Countries: Overall Outlook

- ❑ **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**



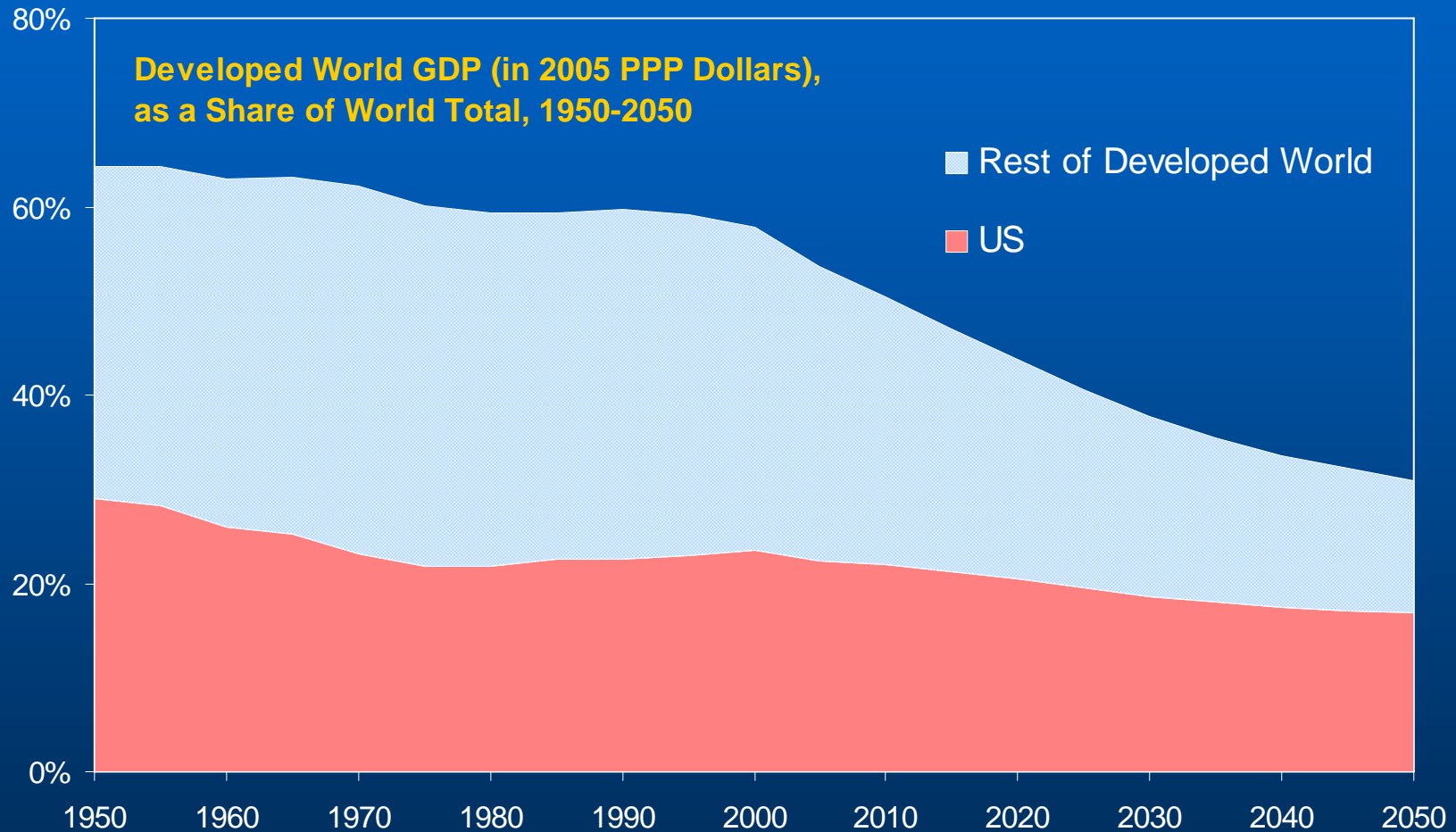
# Consequences for the Developed Countries: Overall Outlook



Source: UN (2007)



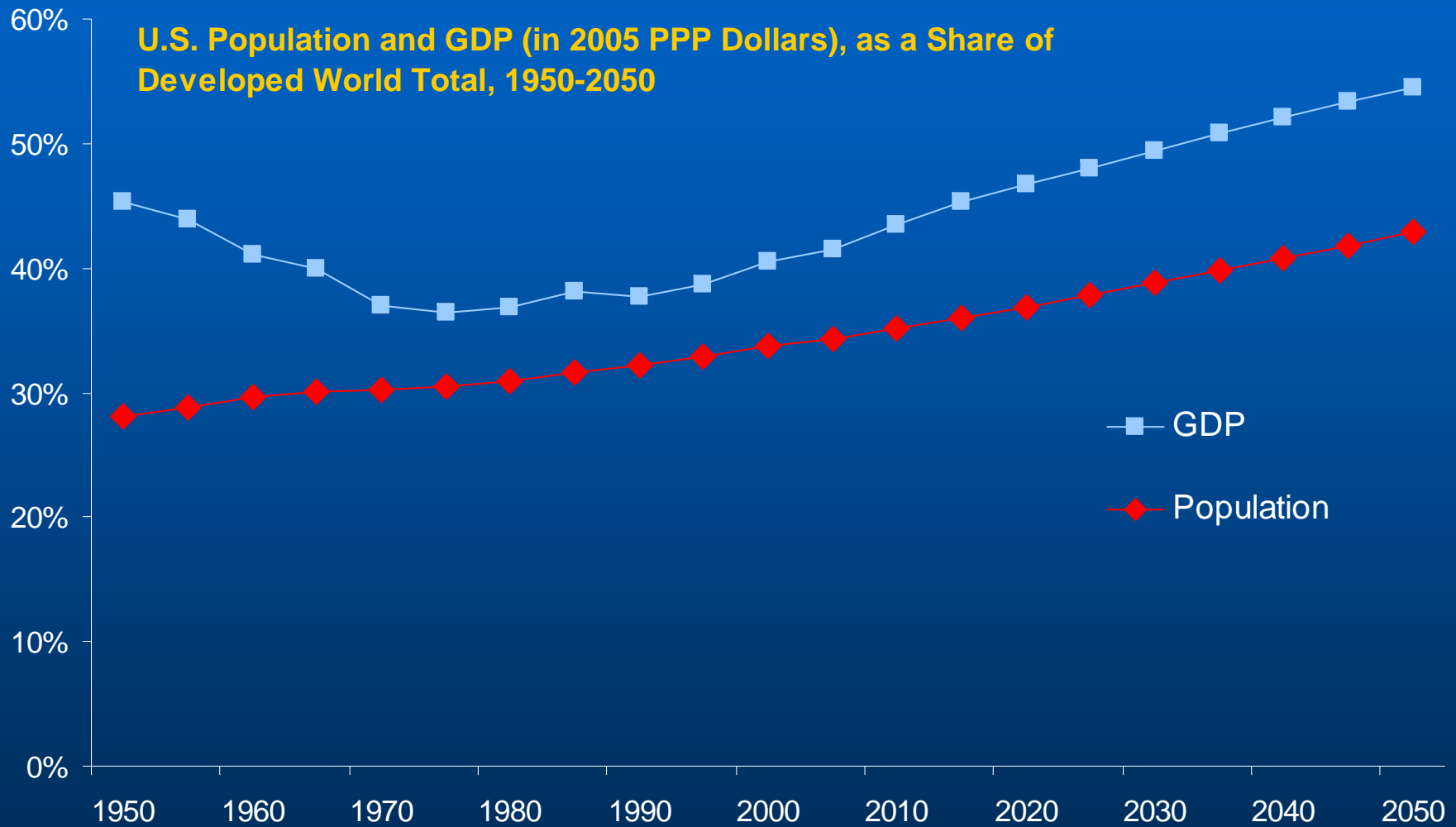
# Consequences for the Developed Countries: Overall Outlook



Source: Authors' calculations



# Consequences for the Developed Countries: Overall Outlook



Source: Authors' calculations



# Consequences for the Developed Countries: Overall Outlook

12 Largest Countries Ranked by Population\*

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

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

Source: UN (2007)

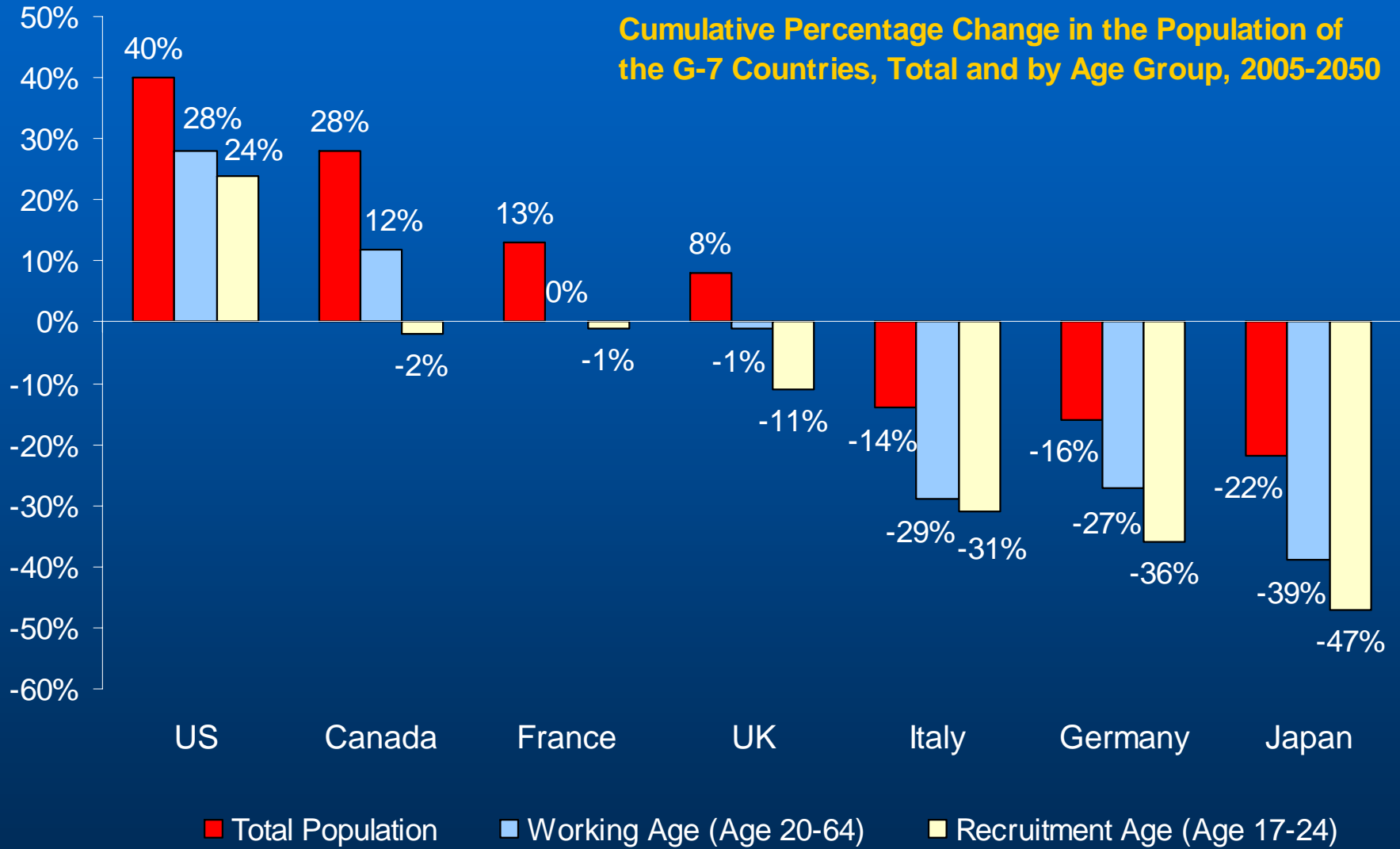


# Consequences for the Developed Countries: Size of Population and Economy

- ❑ **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)



# Consequences for the Developed Countries: Size of Population and Economy

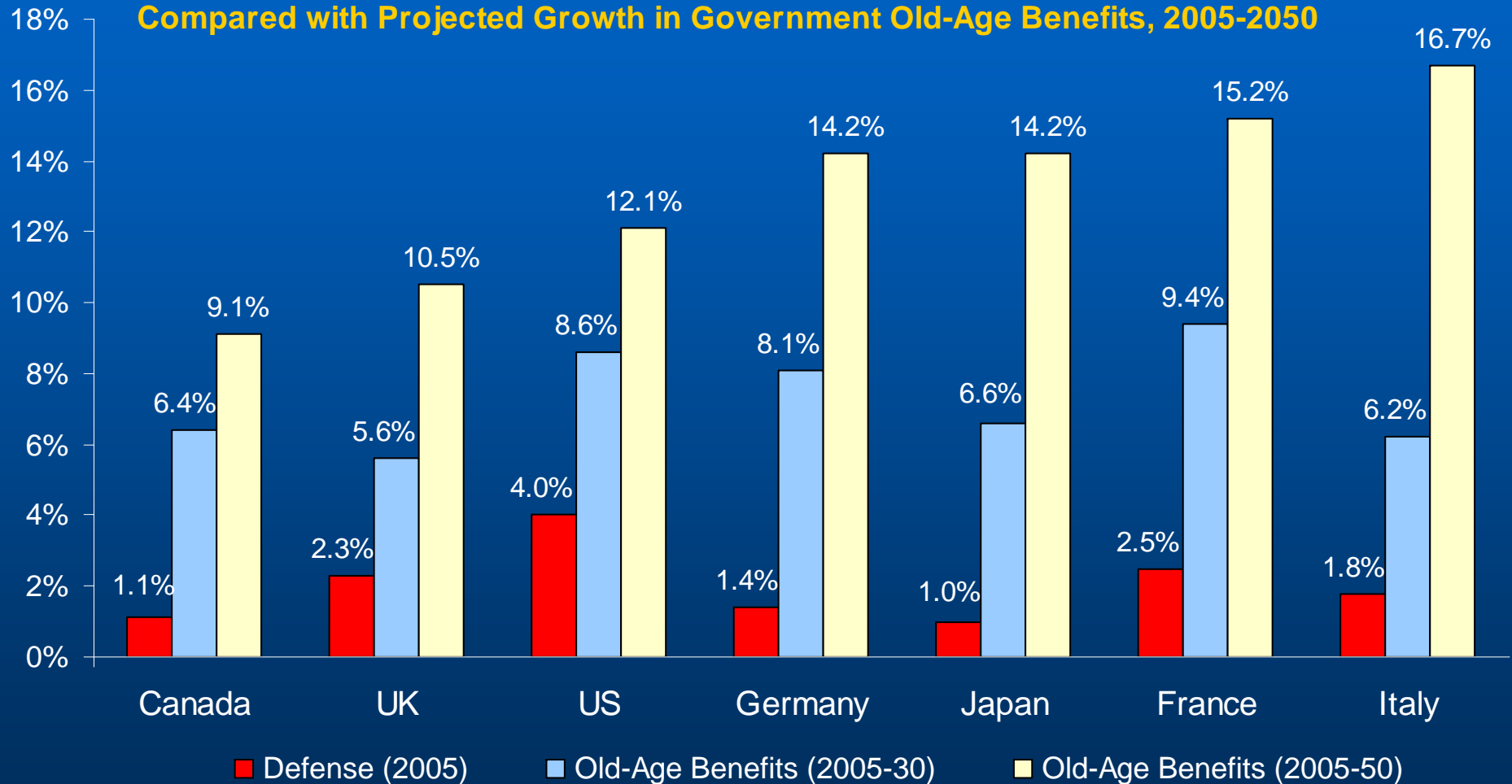


Source: UN (2007)



# Consequences for the Developed Countries: Size of Population and Economy

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

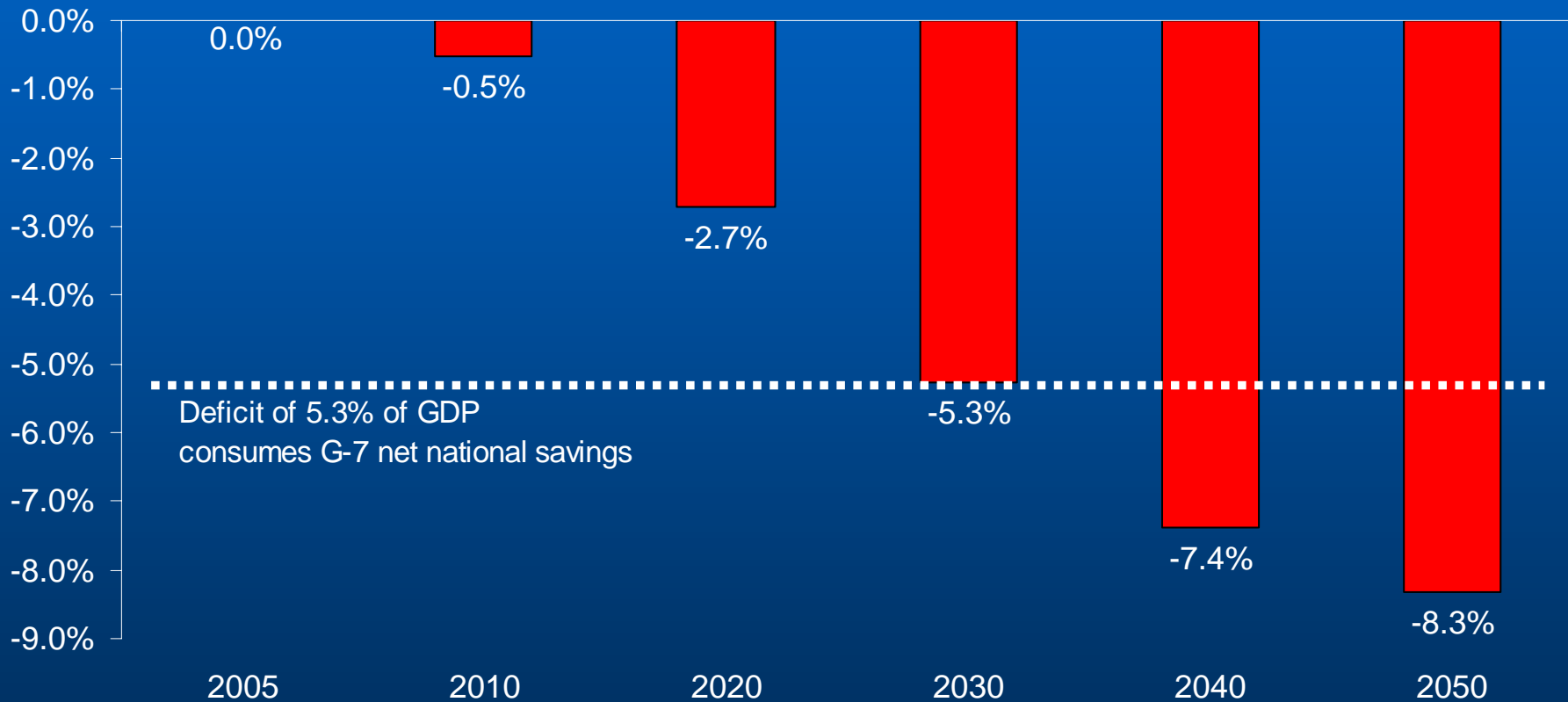
## ❑ **Global Capital:** Probably rising inflow, triggering...

- 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



# Consequences for the Developed Countries: Changes in Economic Performance (I)

**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



# Consequences for the Developed Countries: Changes in Economic Performance (II)

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

<b>61</b>	in 1980
<b>94</b>	in 2005
<b>112</b>	in 2030
<b>144</b>	<i>in 2030 (in Germany)</i>
<b>165</b>	<i>in 2030 (in Japan)</i>

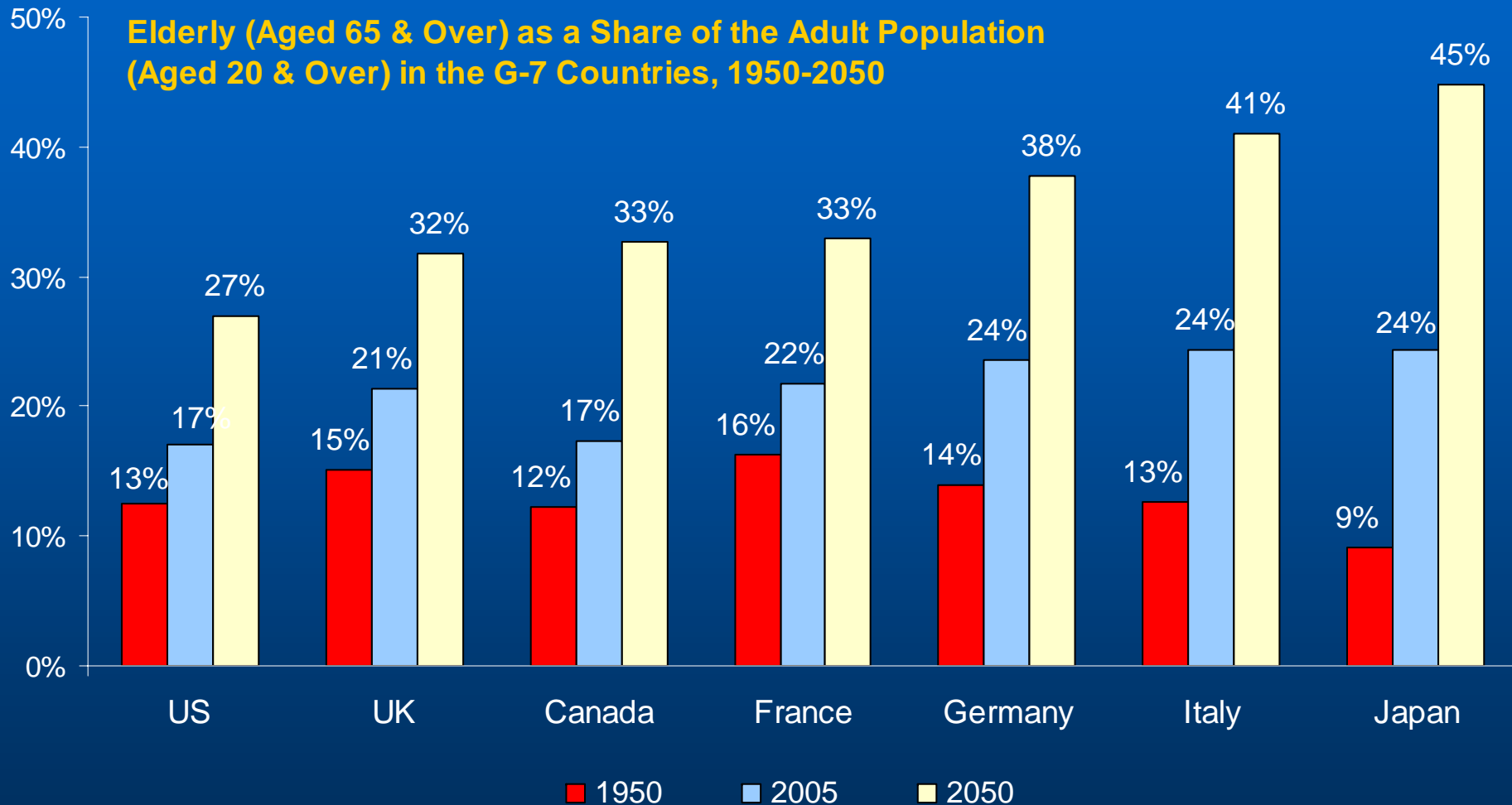


# Consequences for the Developed Countries: Changes in Social Mood

- ❑ **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**



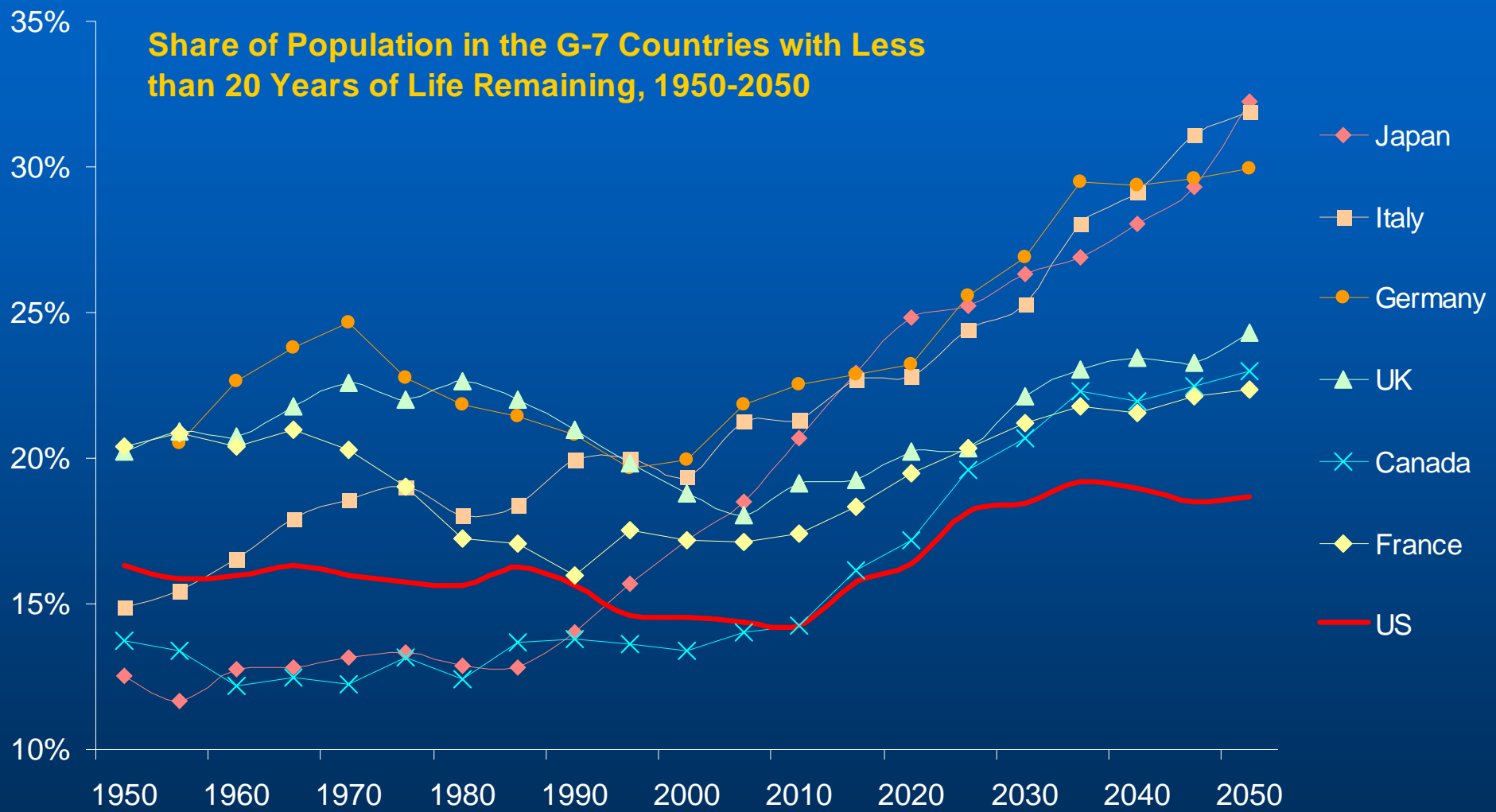
# Consequences for the Developed Countries: Changes in Social Mood



Source: UN (2007)



# Consequences for the Developed Countries: Changes in Social Mood



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



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

- ❑ **Although the developed world is leading the way, the developing world is also aging.**
- ❑ **According to the “demographic peace” thesis, this is reason for optimism: It will push the developing world toward greater peace, prosperity, and ultimately democracy.**
  - economic drivers: the “demographic dividend”
  - political drivers: fewer youth = greater stability
- ❑ **This optimism, however, must be qualified with several important caveats.**



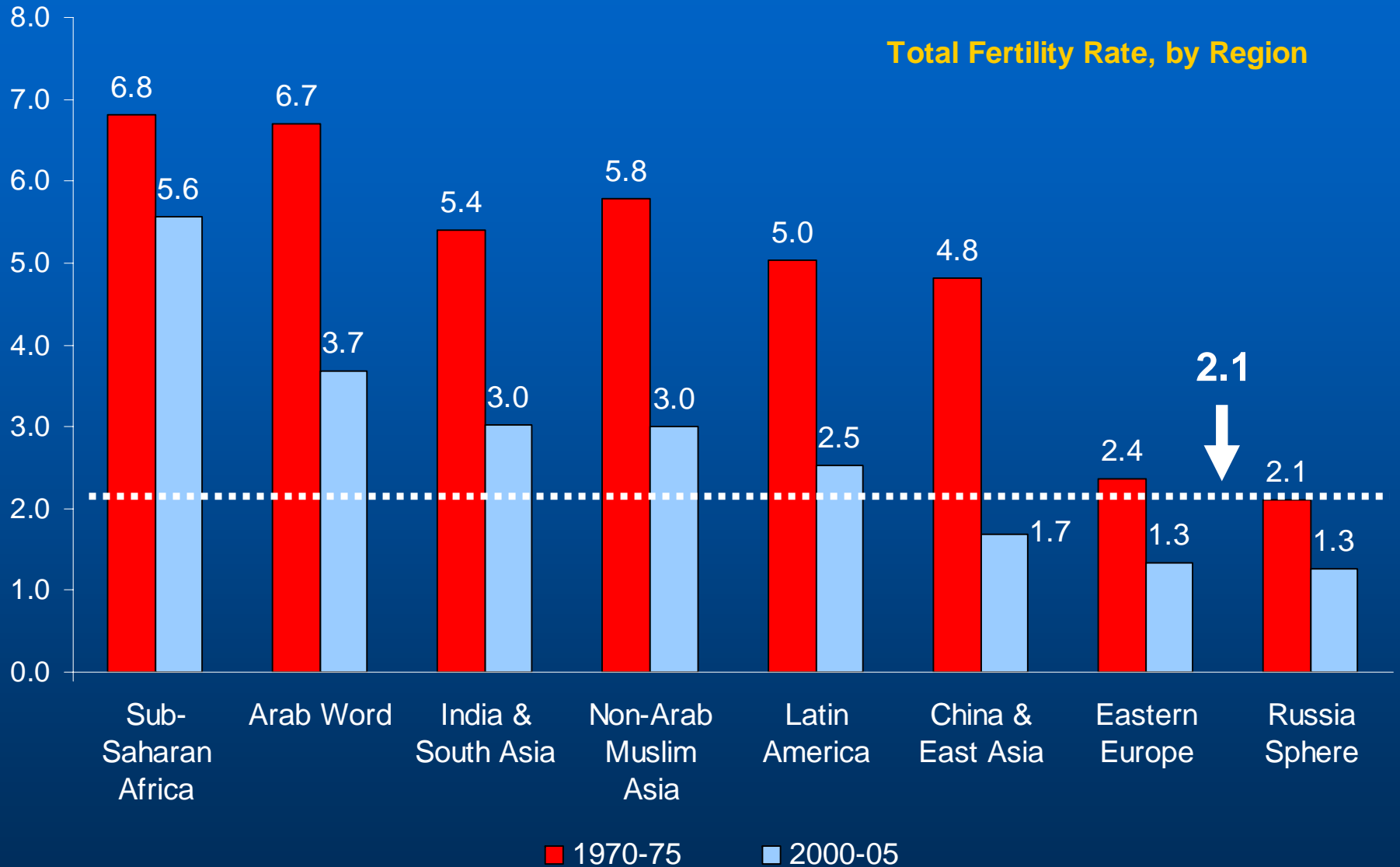


# The Developing World: Dangers of the Transition (I)

- ❑ **Problem One: The timing and pace of the “demographic transition” varies greatly by country and region.**
  
- ❑ **Stalled Transitions**
  - lingering youth bulges in sub-Saharan Africa and many chronically unstable Muslim countries
  
- ❑ **Transitions Too Fast or Too Far**
  - “premature aging” in China
  - population implosion in Russian sphere
  
- ❑ **Backtracking Transitions**
  - “echo booms”: a temporary resurgence of youth-bulge populations in the 2020s



# The Developing World: Dangers of the Transition (I)



Source: UN (2007)



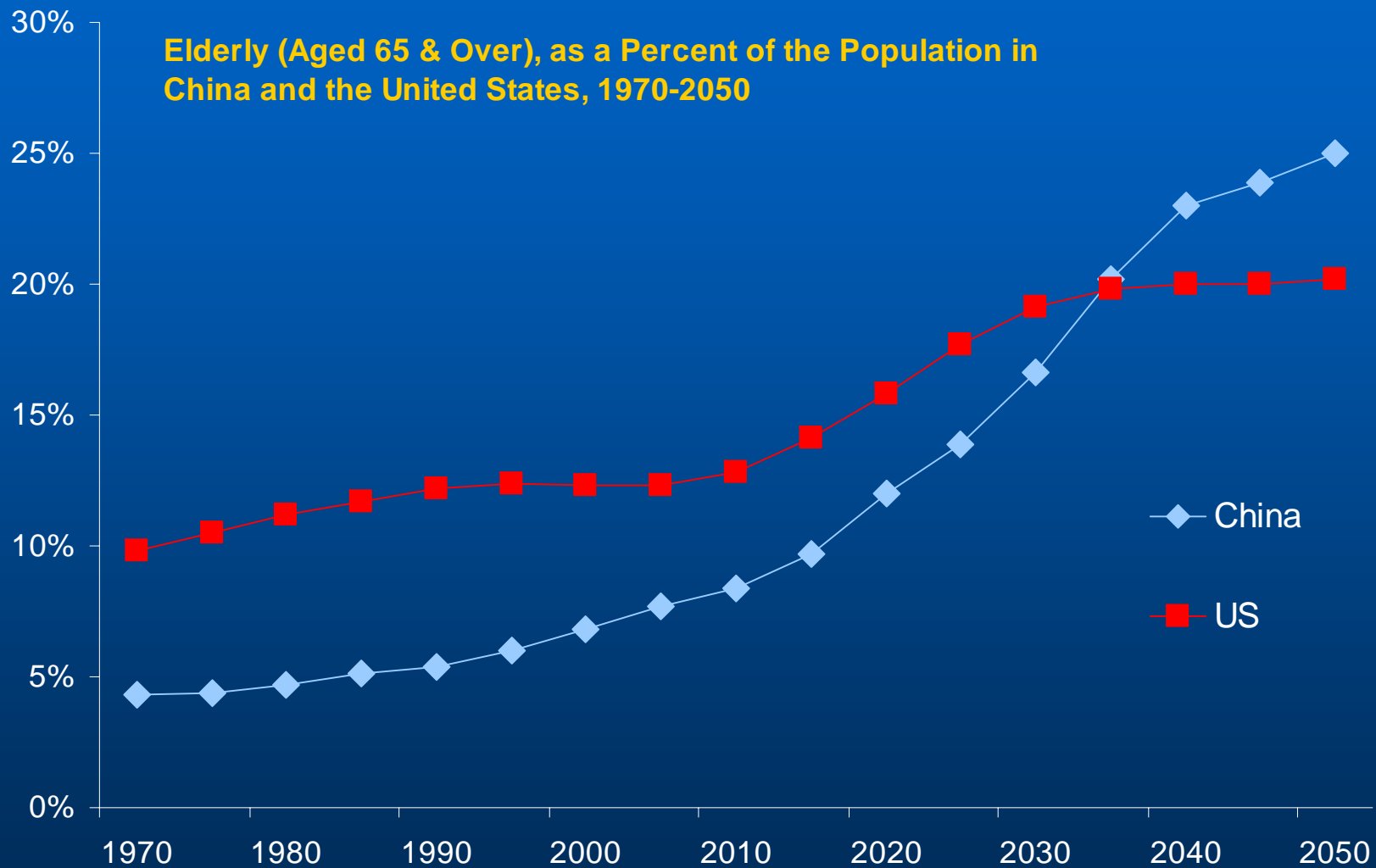
# The Developing World: Dangers of the Transition (I)

## Developing World Indicators

Developing World Pop. as % World Total:  2005 = 86.4% 2050 = 90.4%	Youth Bulge Share			Elderly Share			Working-Age Pop. Change	Total Pop. Change
	2005	2030	2050	2005	2030	2050	2005-50	2005-50
<b>Developing Total</b>	27%	22%	19%	6%	10%	14%	+66%	+62%
<b>Sub-Saharan Africa</b>	36%	34%	28%	3%	4%	5%	+226%	+164%
<b>Islam Belt</b>	31%	24%	20%	4%	7%	12%	+105%	+91%
<b>China &amp; East Asia</b>	21%	14%	11%	8%	17%	25%	-8%	+2%
<b>India &amp; South Asia</b>	29%	23%	19%	5%	9%	13%	+86%	+71%
<b>Latin America</b>	27%	21%	18%	6%	11%	16%	+60%	+60%
<b>Eastern Europe</b>	18%	12%	9%	15%	22%	31%	-32%	-22%
<b>Russian Sphere</b>	20%	13%	10%	14%	20%	27%	-38%	-33%



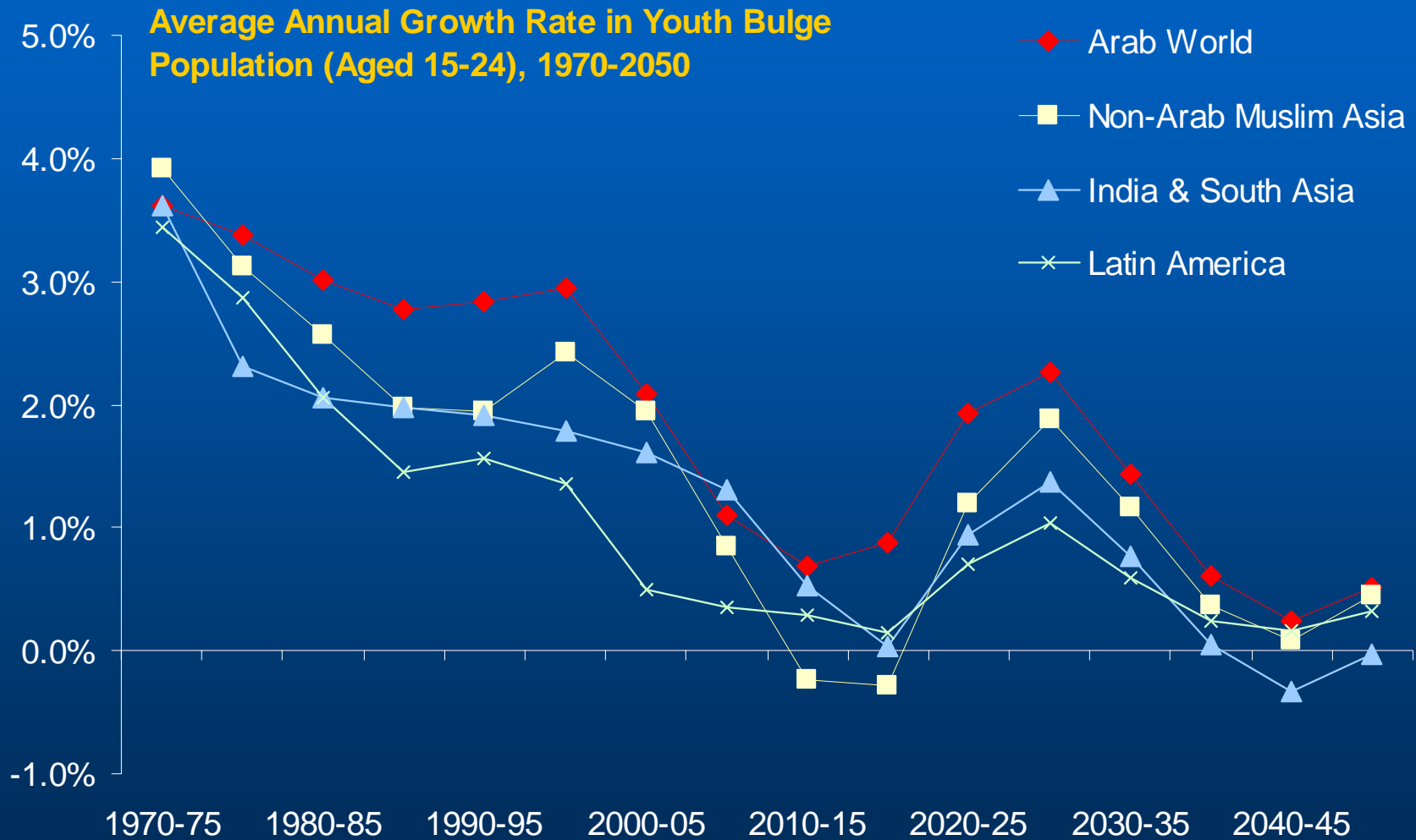
# The Developing World: Dangers of the Transition (I)



Source: UN (2007)



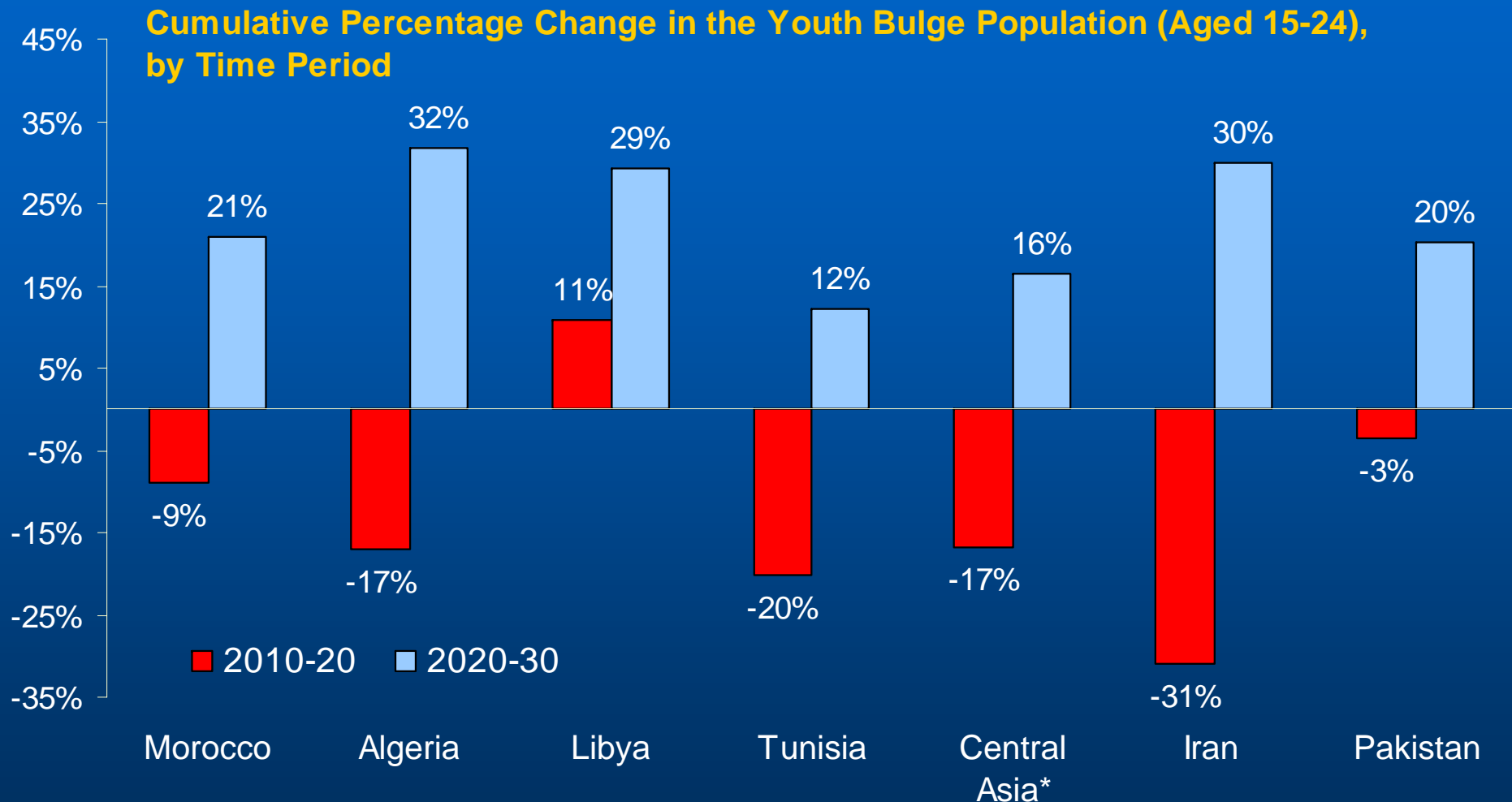
# The Developing World: Dangers of the Transition (I)



Source: UN (2007)



# The Developing World: Dangers of the Transition (I)



\*Includes Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Source: UN (2007)



# The Developing World: Dangers of the Transition (II)

## ❑ **Problem 2: Journeys Can Be More Dangerous Than Destinations**

- o hump-shaped or “inverted-U” relationship between security threats and economic and social development
- o stressors, from rising income inequality and mass migration to environmental degradation
- o esp. for most serious threats, from interstate war to terrorism (“neo-authoritarian” vs. “failed” states)

## ❑ **Problem 3: 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

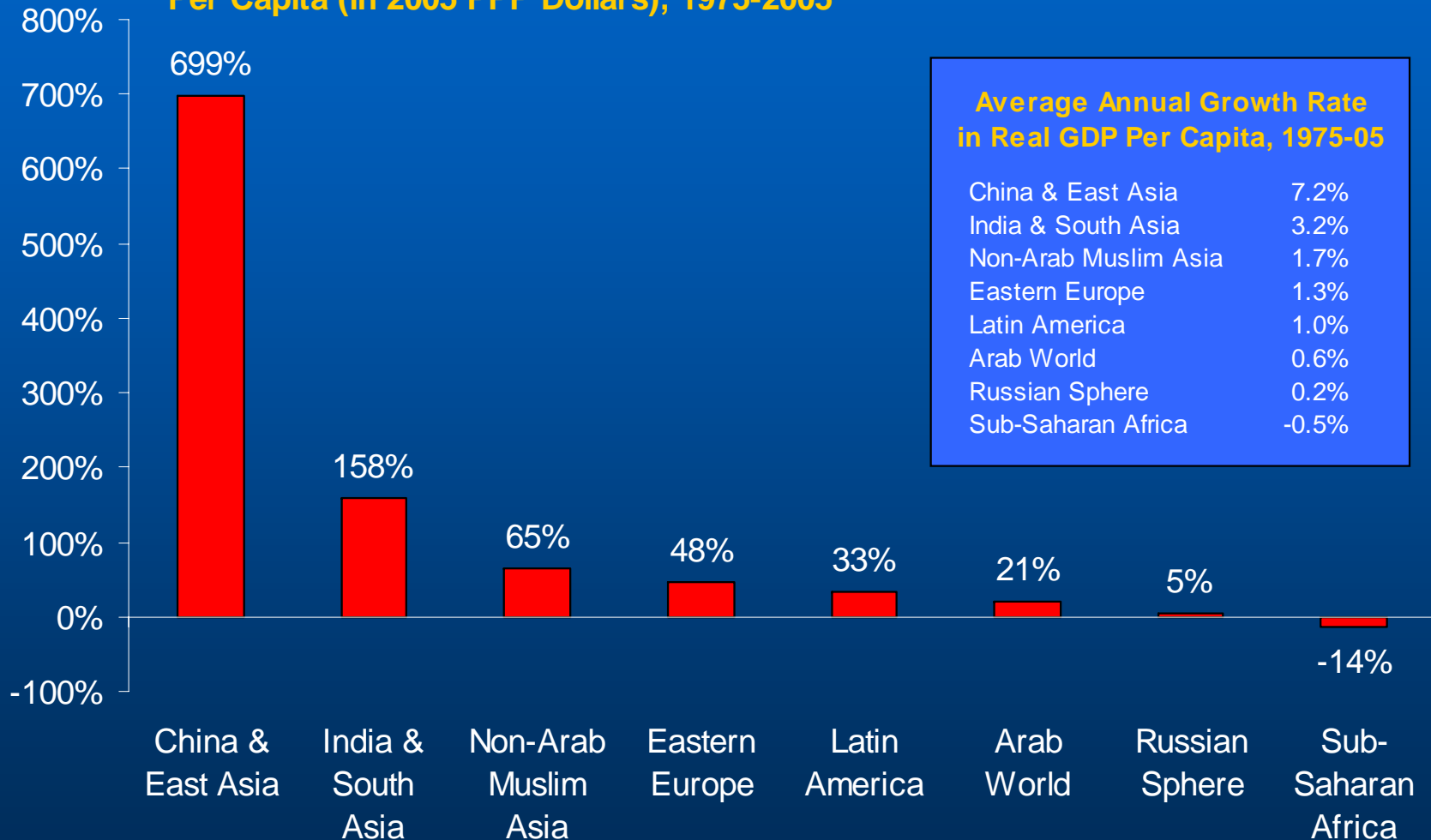
## ❑ **Problem 4: Squandered Demographic Dividends**

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



# The Developing World: Dangers of the Transition (II)

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



Source: World Bank (2007) and authors' calculations



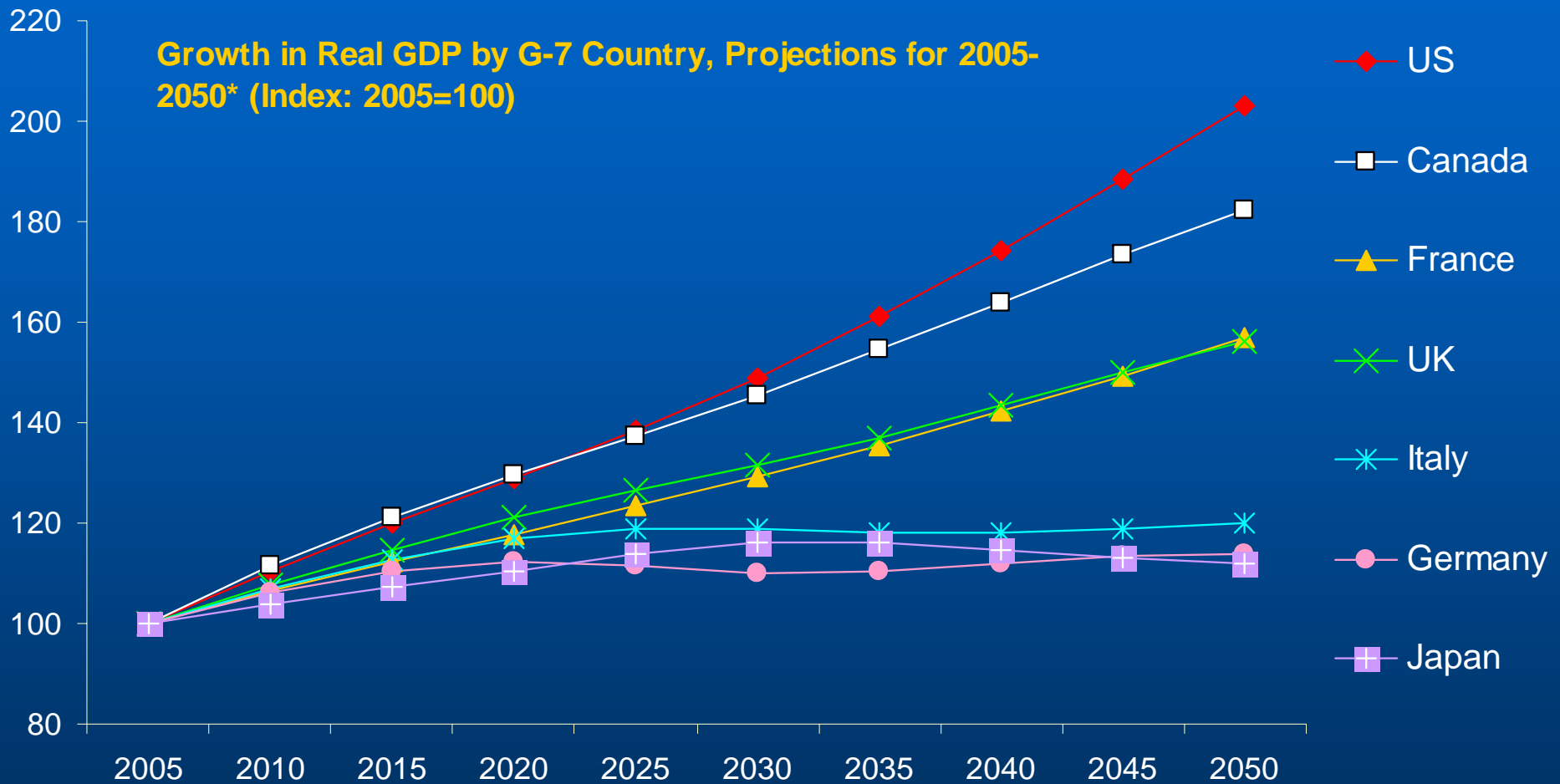


# Crisis of the 2020s? A Confluence of Challenges

- ❑ **For Developed World, Decade of Hyperaging and Population Decline**
  - fastest rise in elder dependency ratio
  - fastest rise in pension/health care fiscal burden
  - dramatic flattening of real GDP growth rate
  
- ❑ **For Islamic World, Echo-Boom Decade**
  
- ❑ **For Russia & Eastern Europe, Implosion Decade**
  
- ❑ **For China, Decade of “Premature Aging” and GDP Parity with U.S.**



# Crisis of the 2020s? A Confluence of Challenges



\*Assumes constant labor-force participation rates by age and sex and a 1.0 percent annual growth rate in real GDP per worker.

Source: *The Graying of the Great Powers* (CSIS, 2008).



# 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**