

# The Crisis of the 2020s: Demographics and Geopolitics in the 21<sup>st</sup> Century

Presentation by

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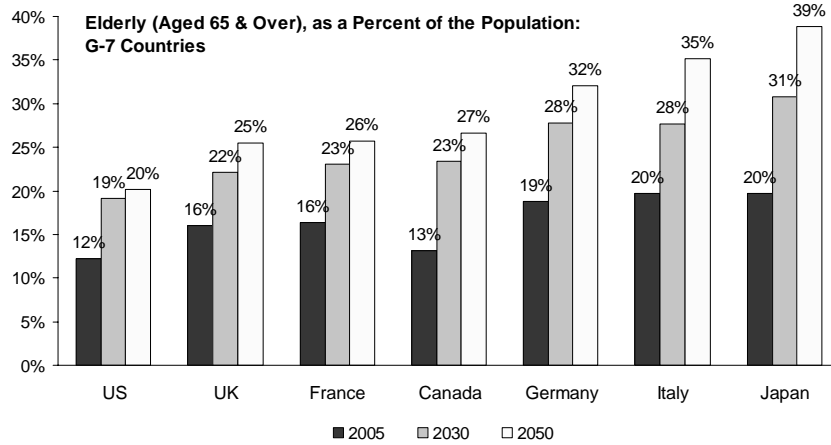
## Behind the developed-world age wave: Falling fertility and rising longevity.

**Total Fertility Rate and Life Expectancy: Developed World**

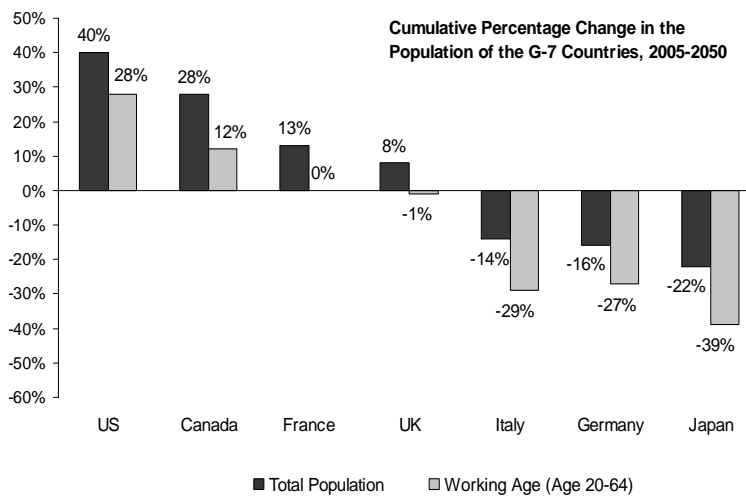
	Total Fertility Rate		Life Expectancy at Birth	
	1950-55	2005-10	1950-55	2005-10
<b>US</b>	3.4	2.0	68.9	78.2
<b>France</b>	2.7	1.9	66.5	80.7
<b>UK</b>	2.2	1.7	69.2	79.4
<b>Canada</b>	3.6	1.5	69.1	80.7
<b>Germany</b>	2.2	1.4	67.5	79.4
<b>Japan</b>	2.8	1.3	63.9	82.6
<b>Italy</b>	2.3	1.3	66.0	80.6

Source: UN (2007)

## The developed countries are entering an unprecedented era of "hyperaging."



## Along with aging populations, most developed countries will also have contracting ones.



## Graying means paying—more for pensions, more for health care, more for nursing homes.

### “Current Deal” Projection: Government Old-Age Benefits, as a Percent of GDP, 2005–2050

	Public Pensions			Health Benefits			Total		
	2005	2030	2050	2005	2030	2050	2005	2030	2050
<b>United States</b>	6.1%	10.4%	11.0%	3.2%	7.6%	10.4%	9.3%	17.9%	21.4%
<b>Canada</b>	4.4%	8.3%	9.7%	3.1%	5.6%	6.9%	7.5%	13.9%	16.6%
<b>UK</b>	6.6%	9.4%	11.2%	2.7%	5.5%	8.7%	9.3%	14.9%	19.9%
<b>France</b>	12.8%	19.0%	22.1%	3.5%	6.6%	9.4%	16.3%	25.7%	31.5%
<b>Germany</b>	11.7%	18.4%	22.6%	3.4%	4.8%	6.8%	15.1%	23.2%	29.3%
<b>Italy</b>	14.2%	19.3%	27.6%	2.8%	4.0%	6.0%	17.0%	23.2%	33.6%
<b>Japan</b>	8.7%	14.3%	20.2%	3.4%	4.4%	6.0%	12.0%	18.6%	26.2%
<b>Developed World</b>	<b>7.7%</b>	<b>12.4%</b>	<b>15.1%</b>	<b>3.1%</b>	<b>6.0%</b>	<b>8.5%</b>	<b>10.9%</b>	<b>18.4%</b>	<b>23.6%</b>

Note: Projections assume retirement ages remain unchanged and benefits continue to replace the same share of wages they do today.  
Source: CSIS projections

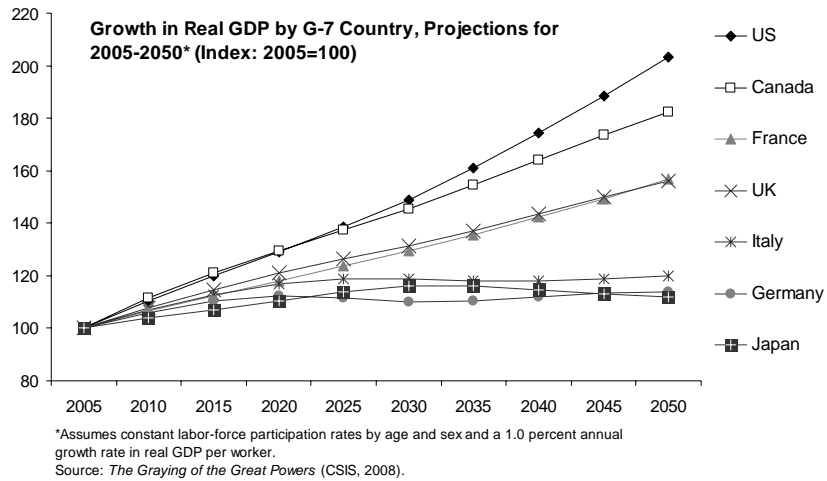
## Rising public benefit costs will require large adjustments in policies and expectations.

### Retirement-Age Increase or Benefit Cut Needed to Stabilize Government Pension Spending as a Percent of GDP

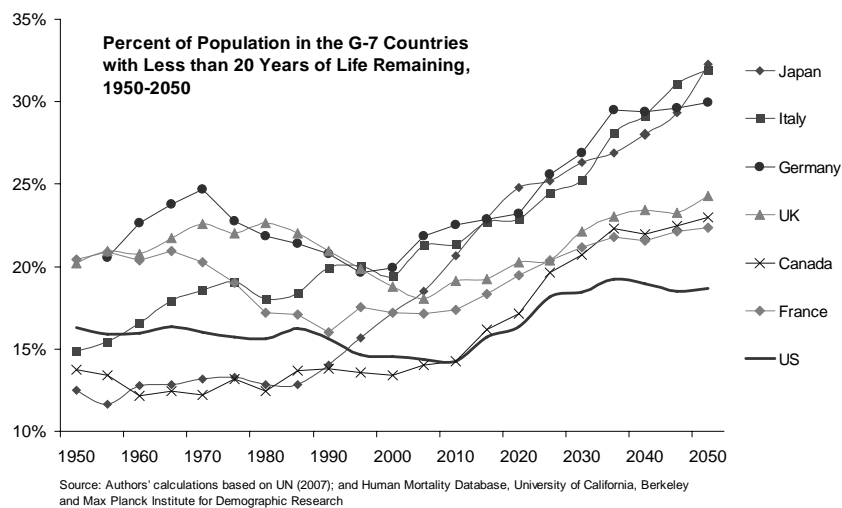
	Benefit Reduction		Retirement-Age Increase	
	2005-30	2005-50	2005-30	2005-50
<b>Australia</b>	40%	50%	6	10
<b>Belgium</b>	32%	42%	4	8
<b>Canada</b>	47%	55%	7	10
<b>France</b>	33%	42%	5	8
<b>Germany</b>	36%	48%	4	9
<b>Italy</b>	26%	49%	4	10
<b>Japan</b>	39%	57%	8	11
<b>Netherlands</b>	43%	48%	7	10
<b>Spain</b>	28%	60%	5	11
<b>Sweden</b>	29%	36%	4	6
<b>UK</b>	30%	41%	4	7
<b>United States</b>	41%	44%	5	7

Note: CSIS “current deal” projection

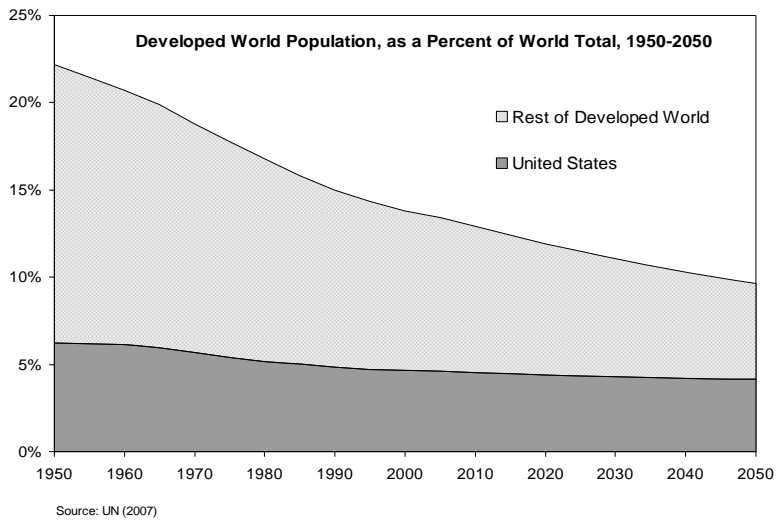
## Secular stagnation: Slowly growing workforces may mean slowly growing economies.



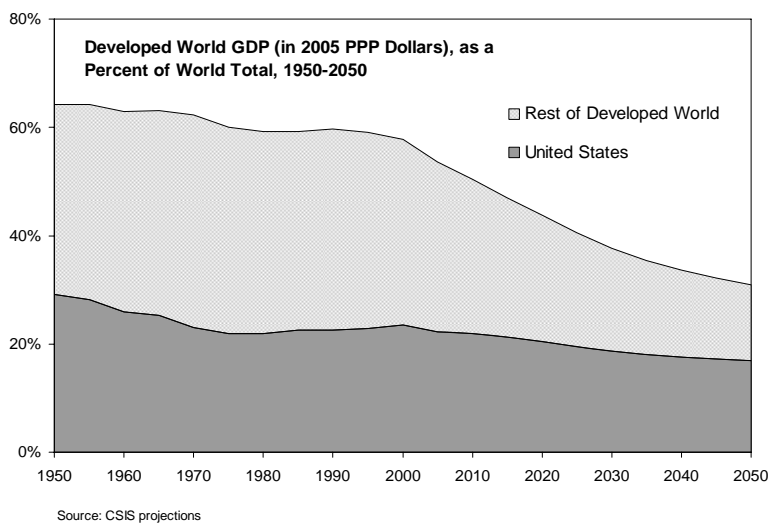
## As the developed world's populations age, society's collective time horizon may shrink.



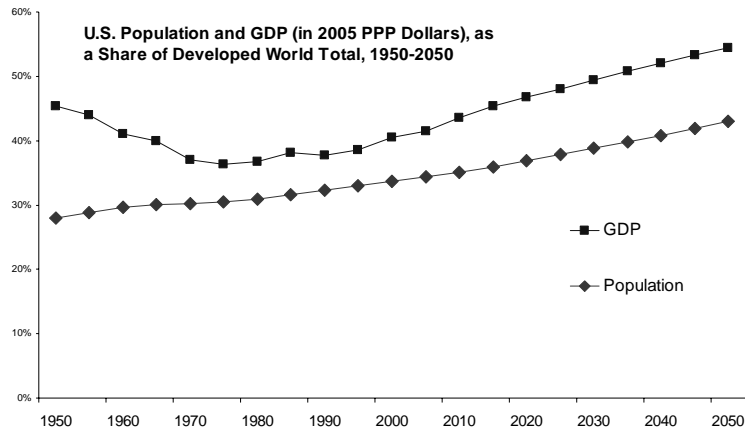
## The developed countries: A declining share of total world population.



## The developed countries: A declining share of total world GDP.



## Within the developed world, the dominance of the United States will increase.



Source: CSIS' calculations

## If demographics is destiny, global power will shift from the "first" to the "third" world.

### 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 parentheses.  
Source: UN (2007)

**Much of the developing world is also in the midst of the “demographic transition.”**

**Total Fertility Rate and Life Expectancy: Developing World**

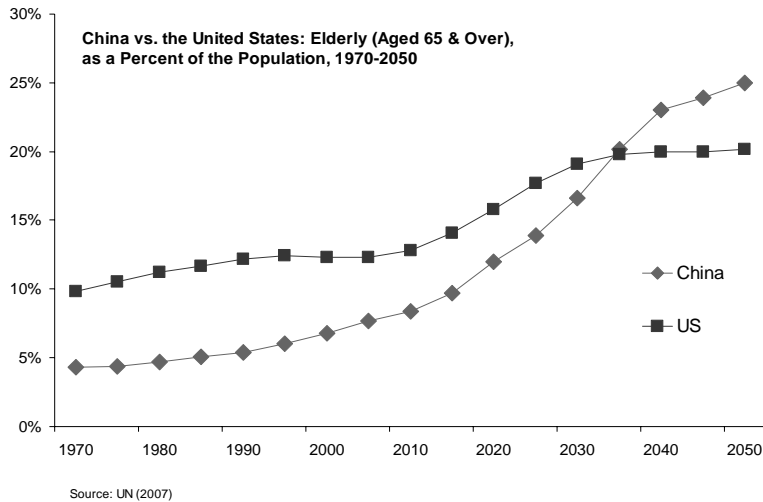
	Total Fertility Rate			Life Expectancy at Birth		
	1950-55	1970-75	2005-10	1950-55	1970-75	2005-10
<b>Sub-Saharan Africa</b>	6.7	6.8	5.5	37.9	46.0	50.4
<b>Arab World</b>	6.9	6.7	3.6	42.2	52.3	68.5
<b>India &amp; South Asia</b>	6.0	5.4	3.0	38.9	51.6	65.8
<b>Non-Arab Muslim Asia</b>	6.2	5.8	3.0	41.1	51.5	67.4
<b>Latin America</b>	5.9	5.0	2.6	51.4	60.9	73.3
<b>China &amp; East Asia</b>	6.1	4.8	1.7	41.2	63.2	73.1
<b>Eastern Europe</b>	3.1	2.4	1.3	62.3	70.0	74.9
<b>Russian Sphere</b>	2.9	2.1	1.3	64.7	69.3	66.4

Source: UN (2007)

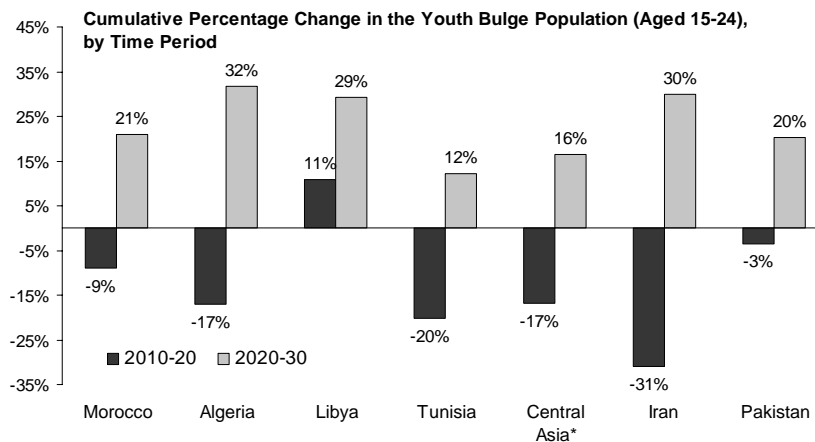
**Parts of the developing world are still young and growing, but others will age dramatically.**

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%
<b>Sub-Saharan Africa</b>	36%	34%	28%	3%	4%	5%	+226%	+164%
<b>Islamic 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%

## Within a generation, China will be an older country than the United States.

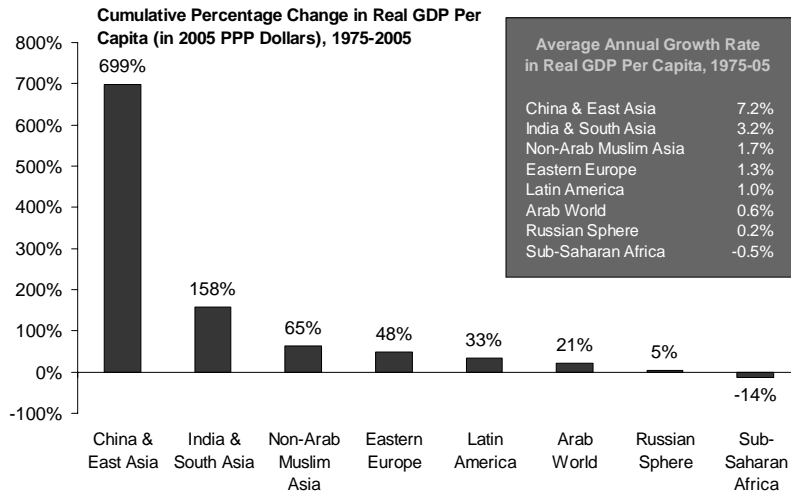


## Many Muslim-majority countries will see a resurgence of youth in the 2020s.





## Most of the developing world is failing to leverage its “demographic dividend.”



## Four Bottom-Line Take Aways.

- ❑ Global aging is as close as social science comes to a certain prediction about the future. Absent a Hollywood catastrophe like a colliding comet or alien invasion it will happen.
- ❑ The simultaneous weakening of the developed world and rising risk of social and political instability in the developing world could trigger a major global crisis in the 2020s.
- ❑ The United States is a partial but important exception to hyperaging. We will still have the youth and fiscal resources to afford a major geopolitical role.
- ❑ Abraham Lincoln once said that the United States is “the last best hope for mankind.” Demography suggests that this will remain true for some time to come.

## Framework for Policy Action

### Demographic Policy:

Responses that slow demographic aging itself.

- 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:

Responses that help the economy function better in the face of demographic aging.

- 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:**

Responses that adjust foreign-policy to meet the new geopolitical threats and opportunities arising from demographic change.

- 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:**

Responses that adapt force structures and mission capabilities to the new demographic realities.

- 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**