

Demographic Crises

- Session:** Session 1
Date/Time: April 26, 2016 / 13:00-14:30
- Moderator:** Mo Jongryn, The Asan Institute for Policy Studies
- Speakers:** Nicholas Eberstadt, American Enterprise Institute
Fukagawa Yukiko, Waseda University
Stijin Hoorens, RAND Europe

Session Sketch

Session 1, titled “Demographic Crises” discussed population trends as a global crisis over the next few decades. The moderator of the session, Dr. Mo Jongryn, research fellow at the Asan Institute for Policy Studies, began by highlighting that demographic changes now impact social, economic, and security crises simultaneously and with the same urgency.

Nicholas Eberstadt, Henry Wendt chair in political economy at the American Enterprise Institute, began with his presentation on the “Global Demographic Outlook to 2035: Implications for Geopolitics and World Economy.” Stating that demographics can provide a “fairly clear impression of a population profile in 20 years,” he highlights three impending trends. Firstly, the world will not have the same growth as manpower growth is expected to decline by 500 million people. China and India will no longer drive population growth; instead, more than half of the labor force will be from Sub-Saharan Africa in the next two decades. Secondly, the demographic fundamentals of emerging market economies are not as spectacular as what intelligence sources and governments have predicted. Thirdly, the demographic fundamentals of the US and “NAFTA-land” generally look compelling.

Next, Professor Fukagawa Yukiko of the School of Political Science and Economics at Waseda University commented on demographic crises in East Asia. She notes that in East Asia, a lot of money will be spent in pensions. Japan covers almost 90% of its population in terms of pensions, whereas China and South Korea both cover approximately 40%.

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Consequently, debt will significantly increase while labor input shrinks, saving rates drop, and the fiscal balance worsens. Learning from the Japan example, East Asian countries can try to manage an aging society through longer labor hours, improving savings, and implementing fiscal reforms. However, longer hours will be limited, savings will cause high debt levels, technology has a smaller basis, and fiscal balance reform is dependent on political capability.

Finally, Stijn Hoorens, associate director of RAND Europe, commented on Europe's demographic crisis. Europe is now facing a new demographic reality with an aging population and shrinking work force – people live longer and healthier, but are having fewer children at older ages. Migration patterns to the region will likely remain the same or increase. With the doubling of Africa and Asia's labor force between 1990 and 2020, this youth bulge may increase pressure to other parts of the world that have more employment. Young, low skilled people hardest hit by the economic crisis are referred to as the “lost generation.” More than 14 million young people in the EU are NEETs (Not in Education, Employment, or Training). These conditions are fertile breeding ground for societal unrest and disengagement. Ultimately, certain households are more vulnerable than others to poverty. Households with more children and single mothers have particularly high risks of poverty. Public policy can help tackle these problems by contracting state and public sector reform. Education is key to helping underrepresented groups join the labor force.

During the question and answer session, Dr. Mo focused attention on Korea's demographic crisis as one centered upon low birth rates. Currently, Korea has the lowest birth rate among OECD countries. With examples from the U.S., Japan, and the E.U., policy options for the government to increase the national birthrate were examined. Dr. Eberstadt points out that human agency is very important in influencing desired family size. In the U.S., increasing human resource quality is a central focus. For Japan, Professor Fukagawa emphasizes that the Japanese government has one of the biggest growth policies with its shortage of labor. There is now greater focus on involving more women in the labor force. Mr. Hoorens spoke about how advanced Western Europe economies exhibit an inverse relationship between fertility

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rates and economic growth. Other topics raised included policy changes to reduce illiteracy, the role of technology, and competition between Japan and Korea to improve the labor participation of women.

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