

Positive outcomes of aging and falling population trends

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Abstract

This paper challenges the established ideas that the trends of nation's falling and ageing population need to be reversed. It presents a variety of arguments, evidence, and simple reasons of logic that highlight many of the positive opportunities afforded by these demographic trends which are increasingly being experienced by industrialised nations. With world population having more than doubled since the 1960's and now standing at 7.1 billion, rather than reversing this demographic trend, industrialized nations should embrace them as an opportunity to improve their citizens' quality of life, reduce environmental footprints, and move away from an economy which indiscriminately seeks growth towards one that develops as a steady-state or zero-growth economy.

Keywords: falling population, ageing population, demographic trends, quality of life, steady-state economy, industrialised nations, government policy

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Introduction

With headlines such as Japan's Demographic Doom (*International Business Times*, 2012), or Japan Population Crisis (*Huffington Post*, 2012) it is not surprising that many people here in Japan and in other nations accept the view that aging and falling population trends are bad and must be reversed at all costs. And to strengthen this belief, governments such as the one in Japan put a great deal of energy and resources into policies that only strengthen this belief. However, as this paper will attempt to show, there are very strong arguments, evidence, and simple reasons of logic that highlight many positive opportunities offered by these demographic trends that are increasingly being experienced by industrialised nations. With world population having more than doubled since the 1960's and now standing at 7.1 billion, rather than reversing this demographic trend, industrialized nations should embrace them as an opportunity to improve their citizens' quality of life, reduce environmental footprints, and move away from an economy which indiscriminately seeks growth towards one that develops as a steady-state or zero-growth economy.

This paper will consider the trend of aging and then falling population that is, or likely to be, experienced by relatively advanced industrialized nations, together with the factors most commonly associated with this demographic trend. The paper will first focus on the demographic trend of an aging population as being experienced in countries such as Sweden, Germany, and Japan, and where figures taken from the CIA World Factbook show populations over the age of 65 to be 19.7, 20.6%, 23.9% respectively. As aging is itself often viewed as a disadvantage commonly associated with a falling population, this paper will start by looking the possible advantages and opportunities the aging of a population may afford a nation undergoing such a change. It is important to note however, that although an aging demographic trend in industrialized nations generally leads to a falling population, that there are many other demographic patterns and different factors that have the power to affect population trends such as prolonged war, poverty, level of affluence, and political regimes.

Discussion

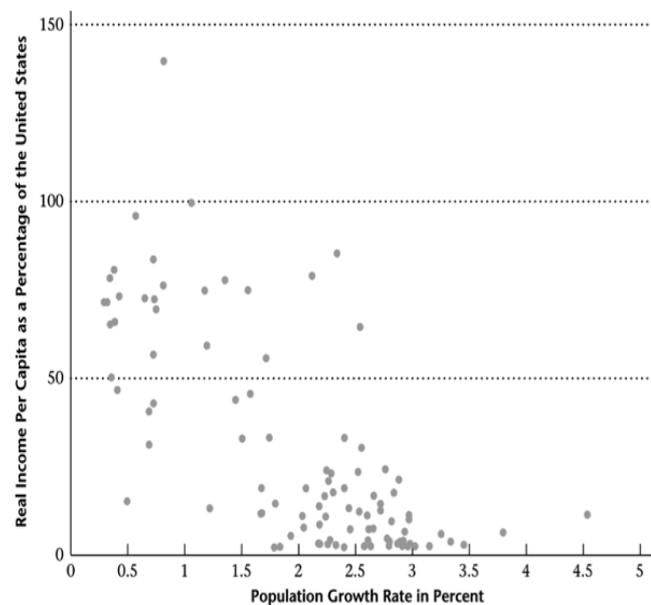
While it is often believed that demographic shifts associated with an aging population will lead to significant burdens on society, such costs will only be likely if the demographic shift is not managed correctly. As Berglind Ásgeirsdóttir points out while Deputy Secretary General of the OECD in 2004, the negative impacts of an aging society will only play out "if we fail to restructure society and its institutions to reflect these new realities" and as an example of the kind of policies that would be needed, argues that it "is vital to improve labour market retention and hiring prospects for the over- 50s." In a comment regarding Japan's aging population, Adamson (2011) contests that the trend should be tackled in terms of "challenges to be overcome creatively and not by pressure and outdated inducements for women to have more babies"(para.2).

Others highlight some of the positive changes that might be brought to society through an aging of its citizens. Healy (2004) for example, claims that the elderly have a higher propensity to get involved in the community and voluntary work, will be less likely to commit crime, also shows figures which dispute the fact that the elderly place increasing burdens on healthcare with a quarter of lifetime costs on average occurring in the last year of life but at a cost that does not increase with age (Healy, 2004). And with a higher ratio of adults to children there should be greater opportunities for improved childcare and education, not least with the benefits associated with 'grand-parenting'. In addition, it could also be argued that older consumers are wiser consumers and are more likely to make more informed consumer choices, which ultimately, should benefit ethically and socially led enterprises and demonstrating a strengthening of consumer power and one would hope, an improvement of consumer standards.

A fall in economic growth is one of the most commonly cited reasons given to justify policies that aim to reverse what policy makers consider to be a negative demographic trend, population fall. However, such a position it could be argued, is not only outdated, but also very misguided.

Firstly, one of the central tenets of contemporary economic theory is that economic growth is good and also that it is unlimited. And for economic growth (measured by GDP) to continue governments need more people. However, clear logic and overwhelming evidence about the state of the earth’s ecological systems, tells us that economic growth is most certainly limited; being fully dependent on the ceaseless consumption of the natural resources of the biosphere which itself is limited in it’s size (our one earth). Unfortunately, humanity is already consuming resources at a rate equivalent to that which could only be sustained, if we had 1.5 earths (Global Footprint Network, 2012). Indeed, “Unlimited growth’ in any physical system ... [i.e. the biosphere]... is a fantasy” (Imagtek, 2011. para.1) and should highlight the need more than ever for governments to stop focusing on policies that promote quantitative growth fostered by economic theory dating back to the 19th century whereby success is measured in terms of their countries rankings terms of GDP growth. As Jackson (2009) put it, “The vision of social progress that drives us- based on the continual expansion of material wants- is fundamentally untenable” (p.3). Instead policies should reflect initiatives and opportunities such as falling population trends that foster qualitative growth and which, for example, are measured in terms of ‘happiness’ or ‘personal development’.

Figure 1. Correlation between real income per capita and population growth rates



Source: Heston et al (2002)

Unfortunately, this shallow position of focusing merely on growth is typified by most leaders and policy makers in the industrialised zones and indeed the globe. Makoto Ato, director general of the National Institute of Population and Social Security Research for example states “Smaller population will hinder economic growth” (para.6) and views this as the greatest loss. He argues that because of a declining population there will be less young people entering the labour market, domestic markets and investment will shrink, all contributing to reducing the source of economic growth (Daily Yomiuri, 2003). But other than competing in the international GDP league table, does this matter for the citizens of a country. Even if we ignore the major shortcomings of using GDP as a measure of progress, empirical evidence often suggests

that there is an insignificant impact of population growth on the growth of GDP per capita (Kuznets,1960; Kelley and Schmidt,1994; Kling and Pritchett, 1995) and indeed, as we can see in Figure 1 there is evidence of a negative correlation between real income per capita and population growth rates (Heston, Summers & Aten, 2002)

Galor and Weil (2000) also point out that modern growth regimes exhibit a negative correlation between economic output and growth rate of population. In a report by the Japanese government, which it should be noted, is very keen to reverse its declining population, it is acknowledged that although the aging and declining population trends have negative economic effects, these will be at a macro scale while the effects on per capita income are seen to be positive. One explanation highlighted is that falling employment growth that would be expected to accompany falling population, creates an upward pressure on capital labour ratios and thus, efficiency of production. So again this might be taken as an illustration that governments are motivated to maintain population growth for the purpose of economic clout and image on the international stage, rather than the wish to increase the welfare of their citizens. In addition, despite fears of falling GDP, the economy as a whole may in fact benefit as the improved efficiencies in productivity lead to inflows of foreign investment.

Coleman (2004) usefully highlights a number of other positive outcomes that a thoughtful well managed fall in population could bring to a nation. Most obviously, would be a reduction in overcrowding and congestion. This should be particularly important if one considers that the world's population density has doubled since 1940, and that already, more than half the population live in urban areas where populations densities are at their highest. Tokyo metropolitan area, the largest urban conurbation in the world for example, has a population density over 4,400 people km², and mega cities such as Dhaka and Mumbai, densities of over 44,000km² and 30,000km² respectively (Cox, 2012). The benefits would be numerous and may include quicker travel times, improved air and water quality, cheaper housing (Baker, 2011), and increase in green space dedication to recreation. Coleman also cites as possible benefits improvements in infrastructure. Housing and associated construction could take place in a structured, planned manner, rather than as a response to the pressure of housing shortages and overcrowding.

Other possible advantages resulting from a fall in population may include a fall in unemployment as less people compete for jobs. It would also be an opportunity to redistribute the tax burden away from labour and back onto manufacturing inputs. In addition, this may help address the problem of inequality because lower paid workers could potentially receive higher rewards and those that consume the most will pay more through the additional taxes reflected in the input costs. This move would also act as an indirect eco-tax as consumables, which required the most intensive inputs of energy and materials, would attract higher levels of tax. Under this regime intensively farmed beef that currently provides the world with beef burgers for under \$1, would become far more expensive than an organically grown, local, plant-based alternative that, given the limited 'real' but hidden costs they incur, are paradoxically sold at premium prices. There might also be a narrowing of inequality between men and women, for which the later are generally a lower-paid and underutilized part of the workforce.

With food security also becoming an increasingly harsh reality for most nations at any stage of economic development, a reduction in a nation's population would help make food self-sufficiency targets more attainable. Using Japan again as an example, with a self-sufficiency rate of around only 39%, Professor Fujimasa of the National Graduate Institute for Policy Studies argues that Japan would need a population reduction of around 68% if it were to adequately address self-sufficiency issues (Daily Yomiuri, 2003). This is despite the fact that there is currently a lot of empty and underutilized farm land in Japan which may take us back to an aging trend, but more importantly as another example of a governments slowness and failure of successive governments to adapt to the trend and support this rapidly aging industry, comprising of an astonishing 60% of whom are over the age of 65 (*Asian times*, 2010). Less pressure on land use would make policy change easier and farming of larger more profitable enterprises in Japan more attractive to the

younger generations, who are more open and willing to diversify and thus effectively increase the nation's self-sufficiency rates.

In the same way that general resource use and the pressures this puts on the planet's natural systems would most likely improve, as a result of population falling, it would also help countries such as Japan, reduce their carbon footprints and help towards and future reduction targets, whether voluntary, or as looking increasingly necessary, legally binding. Many scientists and organisations engaged in climate change research and observation now regard cuts of 80% in CO₂ by the year 2020, not 2050, as necessary if the world is to avoid the most serious outcome to the current climate change crisis. This is when, over the past decade, we have experienced an average 2.5% per year rise in CO₂ emissions (Jos et al, 2012), despite the downturn during this period in the global economy, and if we go back a little further to 1990, emissions have risen in only twenty years by a staggering 40% (Jackson, 2009). If there is any one single policy focus that is likely to increase the well-being and quality of life of the citizens of earth, evidence increasingly shows it should be on tackling climate change, and as such, a slowing down or reduction in population should be seen as an opportunity that should be embraced.

Finally, it should be noted that the while the additional costs associated with an aging population such as a relatively higher proportion of national income committed to pensions and superannuation, and also health and care facilities, a return to a slower, less consumption oriented society has the potential to reduce these relative costs. With a greater focus on quality of life, the importance of the family unit and a stronger emphasis on good health through regular exercise, more leisure and thus less stress, and healthier slow food-based diets could potentially reduce the need for extra healthcare and residential care for the elderly. In addition, as people become used to consuming less, it would seem fair to suggest that less income would be needed, especially for those in retirement. While these ideas may be in danger of being over-simplistic and indeed idealistic, if combined with a carefully managed tax and policy regime that looks to the future and values quality of life then there is potential for the society to adapt successfully to a falling and aging population without suffering from many of the additional economic pitfalls associated with such demographic changes.

Conclusion

So while in this century we will undoubtedly see the continuing the trend towards smaller family units and increased longevity and associated slowing or falling in population growth rates, this author is in agreement with the comment by Adamson (2011) that "government and social pressures to reverse these trends are invasive, wasteful and ...[ultimately]... bound to fail" (para.3). While Governments such as the Netherlands, and government commissions such as the UK Population Panel (1973), US Commission on Population Growth, and the American Future (1972), together with other high profile organisations such as Oxfam and Greenpeace all to a greater or lesser extent view population falls on balance as advantageous, policies that embrace and even encourage population control are still little in evidence. Nicholson-Lord of the Optimum Population Trust suggests this is because population control "is deeply unfashionable, and taboo, and has fallen off of a lot of agendas -- and that's due partly to that broad agenda known as political correctness" (Wending, 2005). But in a rather more direct note which may explain why we are most likely going to see continued opposition of policies that embrace the demographic trends focused on in this paper, Freedom-pages comments that "population decline is really only a problem for the elite. The big money makers. They depend on constant population growth to increase their profits growth" (Freedom-pages, 2008).

However, despite the obvious political hurdles that need to be overcome, it is the hope of the author that this paper has set out some convincing reasons why an aging and declining population should not automatically be regarded as a bad thing but instead viewed as an opportunity to decouple from the current economic doctrine which dominated the 20th century. In this second decade of the 21st century, it is long overdue that

policies which give more weight to improving the quality of life of the populous, and create the foundations build on the principles of sustainable development rather than on unlimited growth, become the norm rather than the domain of a small minority of policy-makers and organisations.

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