THE 35TH ANNUAL
CAA CONFERENCE

# FUTURE PROOFING THE PRESENT

# The Shape of Things to Come

## *Demographic Decline, Economic Stagnation, and Geopolitical Instability*

**Richard Jackson**
**President, Global Aging Institute**

**The 35th Annual CAA Conference**
**Coral Spring, Jamaica**
**December 12, 2025**

# Demographic Decline

# Plunging birthrates are ushering in an unprecedented new era of population stagnation and decline.

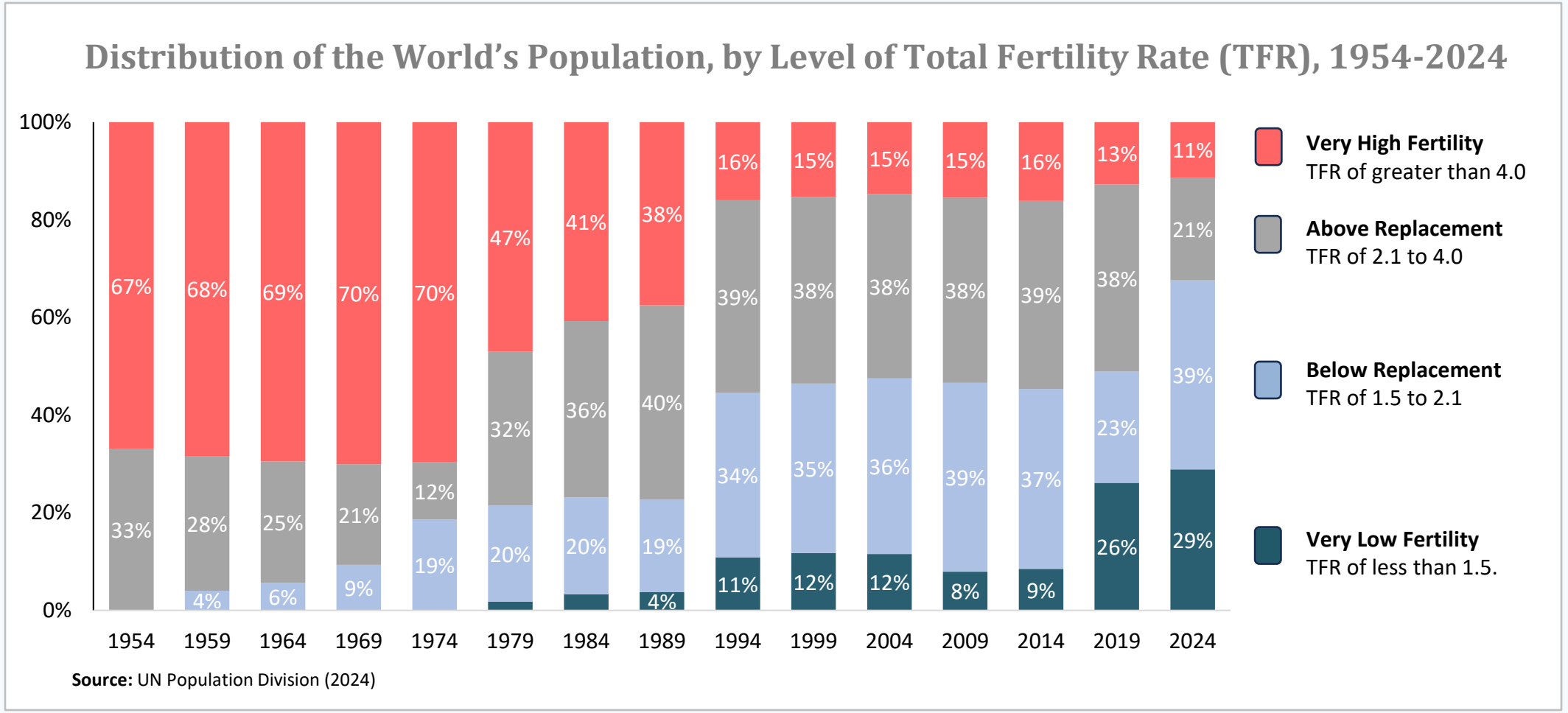
## Low Fertility Drivers

- **The forces of modernization,** including urbanization, rising educational attainment (especially of women), and the availability of effective contraception
- **Changing gender roles,** including the entry of women into the labor market and the difficulties they face in balancing work and family responsibilities
- **Economic developments,** including the introduction of PAYGO social insurance, the high cost of childrearing (especially education), and the difficulties young adults face in launching careers and establishing independent households
- **Social & cultural developments,** including the decline of religiosity, the rise of "individualism," and evolving ideas about what constitutes the "good life"

| | Total Fertility Rate | | | | | |
|---|---|---|---|---|---|---|
| | **1960** | **1975** | **1990** | **2000** | **2010** | **2023** |
| **Africa** | 6.6 | 6.7 | 5.9 | 5.2 | 4.9 | 4.1 |
| **East Asia** | 4.1 | 3.3 | 2.4 | 1.6 | 1.7 | 1.0 |
| **Rest of Asia*** | 6.2 | 5.3 | 4.0 | 3.3 | 2.7 | 2.4 |
| **Latin America**** | 5.9 | 4.6 | 3.2 | 2.6 | 2.2 | 1.8 |
| **Europe** | 2.6 | 2.1 | 1.7 | 1.4 | 1.6 | 1.4 |
| **Northern America** | 3.7 | 1.8 | 2.0 | 2.0 | 1.9 | 1.6 |
| | | | | | | |
| **Bahamas** | 5.1 | 3.4 | 2.5 | 2.1 | 1.8 | 1.4 |
| **Barbados** | 4.7 | 2.4 | 1.8 | 1.9 | 1.8 | 1.7 |
| **Belize** | 6.5 | 6.3 | 4.8 | 3.6 | 2.6 | 2.0 |
| **Jamaica** | 5.5 | 4.4 | 3.0 | 2.3 | 1.8 | 1.4 |
| **Trinidad & Tobago** | 5.4 | 3.2 | 2.4 | 1.7 | 1.6 | 1.5 |

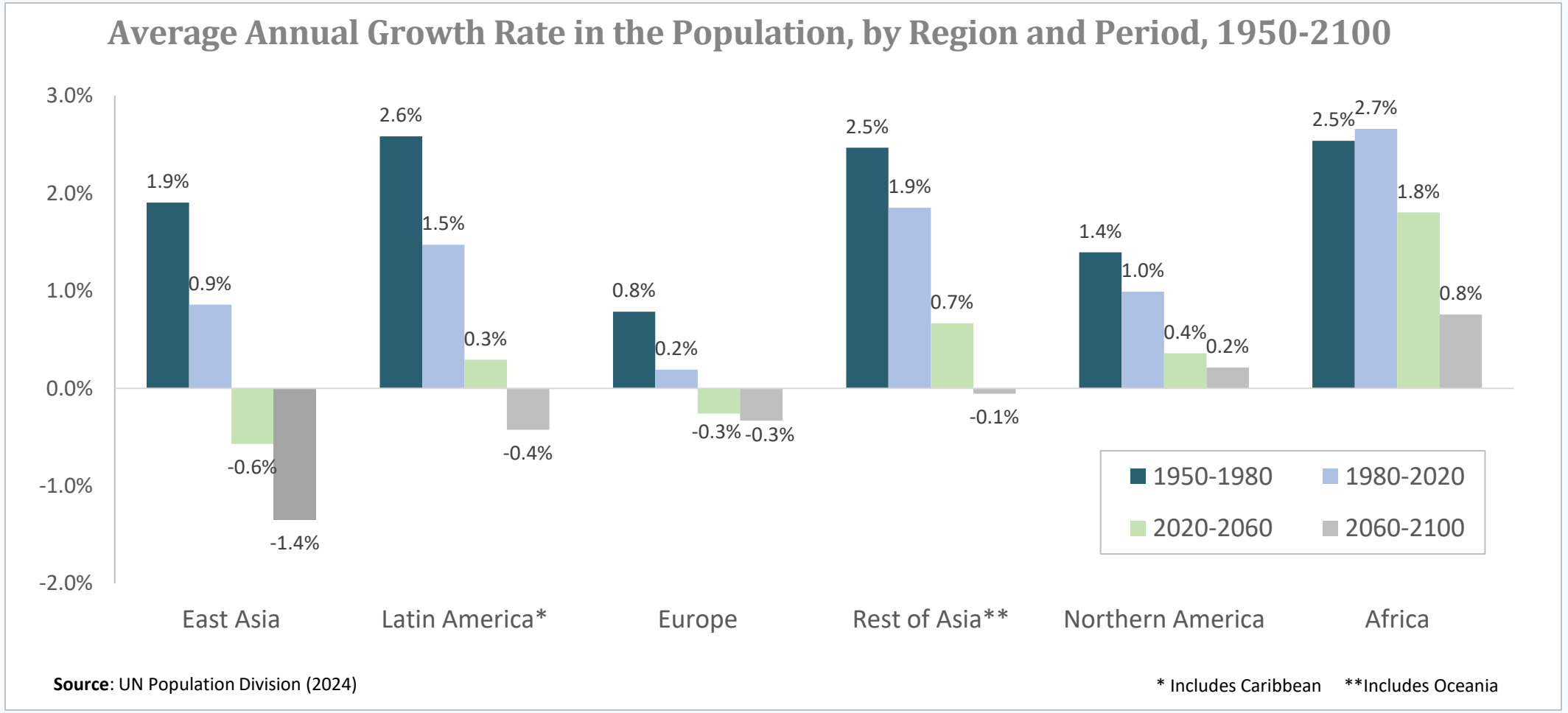
**Source:** UN Population Division (2024) *Includes Oceania **Includes Caribbean

# Two-thirds of humanity now lives in countries where fertility has fallen beneath the replacement rate.




**Source:** UN Population Division (2024)

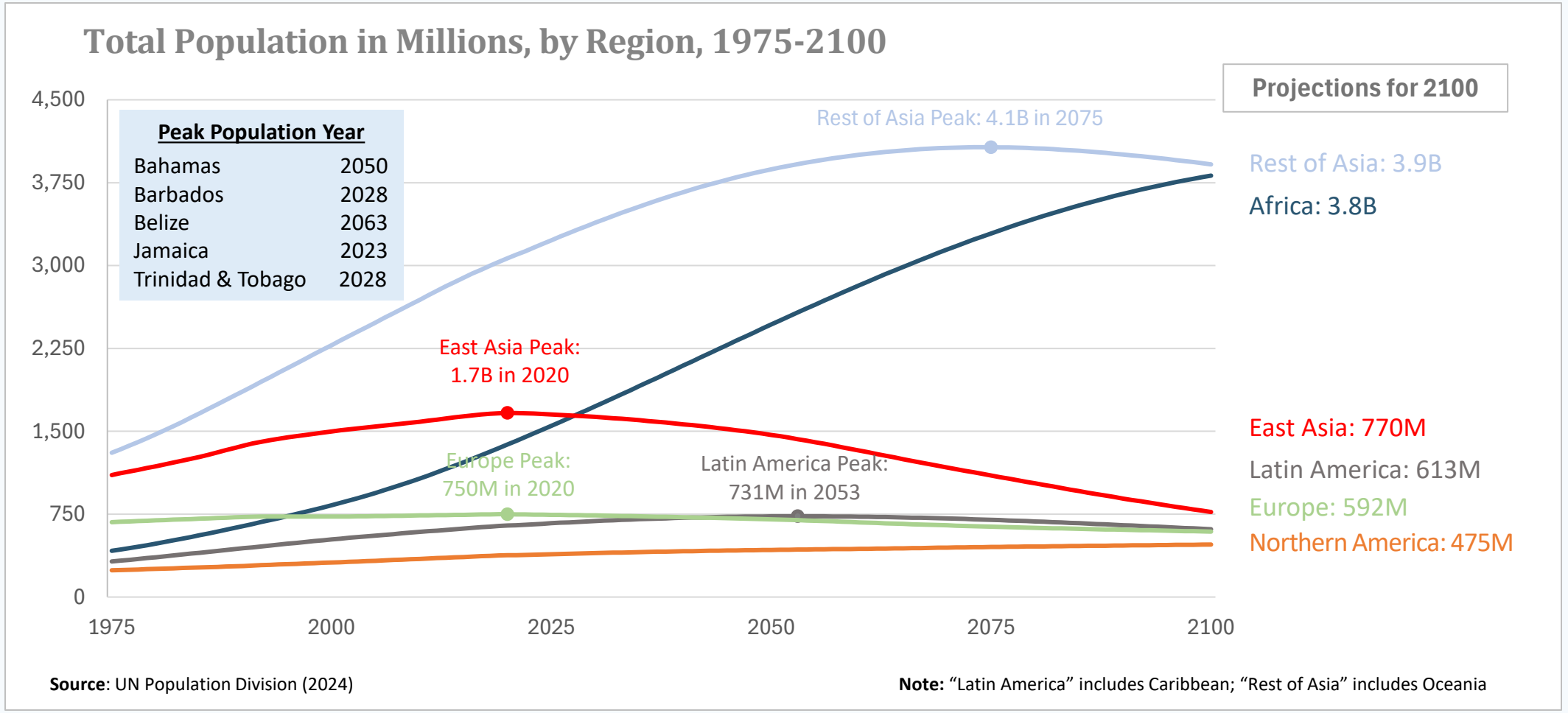
# Population growth is slowing everywhere—and in Europe and East Asia it has already been thrown into reverse.




**Source**: UN Population Division (2024)

* Includes Caribbean **Includes Oceania

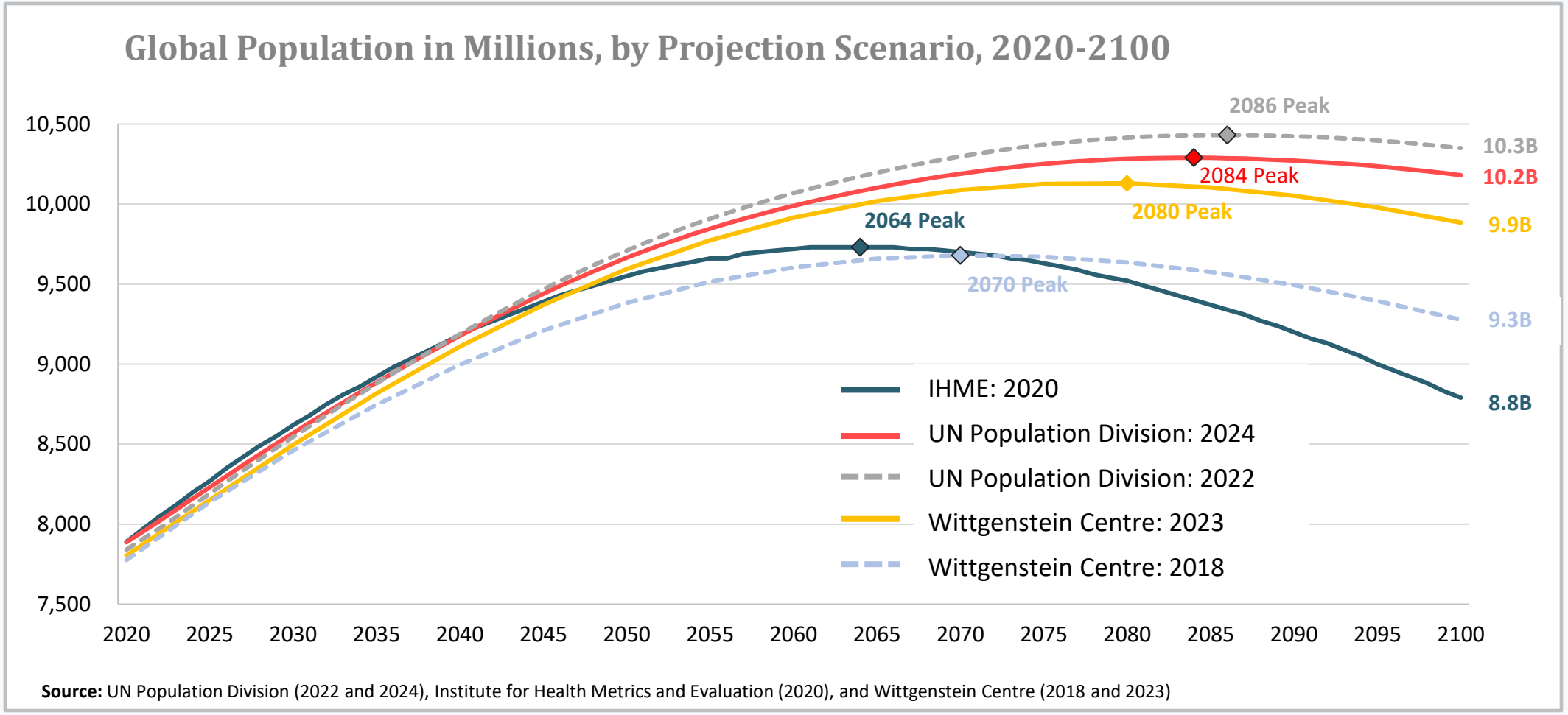
# Apart from Africa, every region of the world will have a stagnant or declining population by the end of the century.




**Source**: UN Population Division (2024)

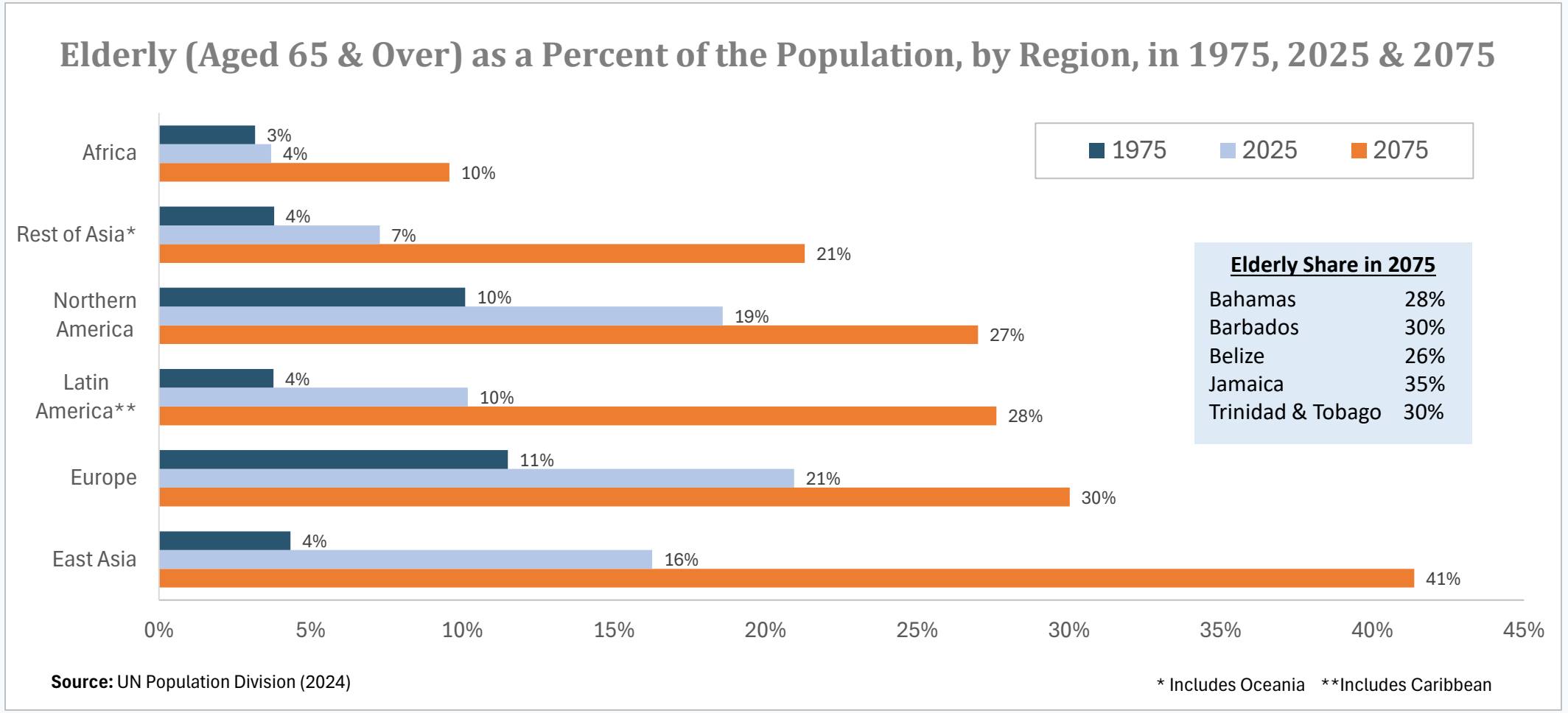
**Note:** "Latin America" includes Caribbean; "Rest of Asia" includes Oceania

# Most demographers now agree that the world's total population will peak sometime later in the century.




**Source:** UN Population Division (2022 and 2024), Institute for Health Metrics and Evaluation (2020), and Wittgenstein Centre (2018 and 2023)

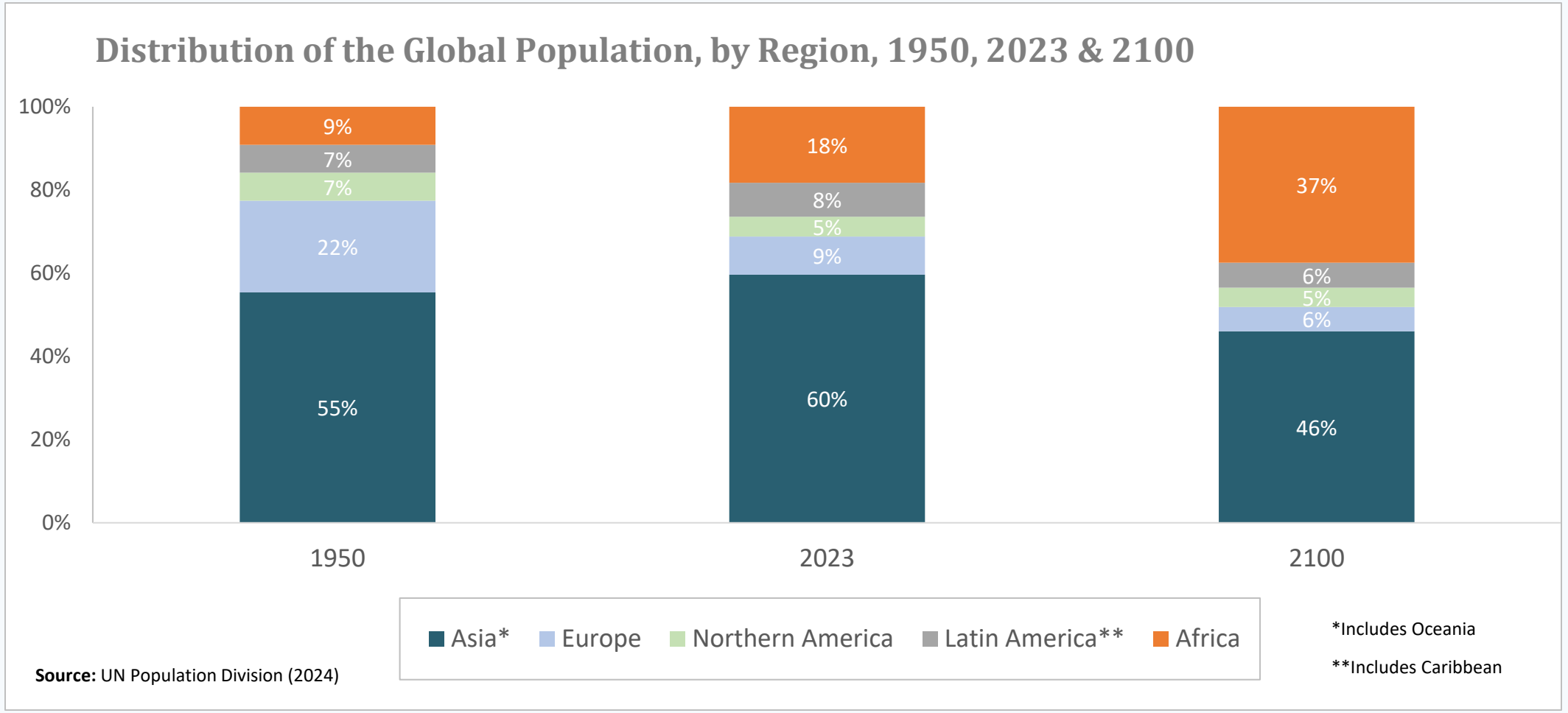
# Falling fertility, along with rising life expectancy, is also leading to a dramatic aging of populations worldwide.




**Source:** UN Population Division (2024)

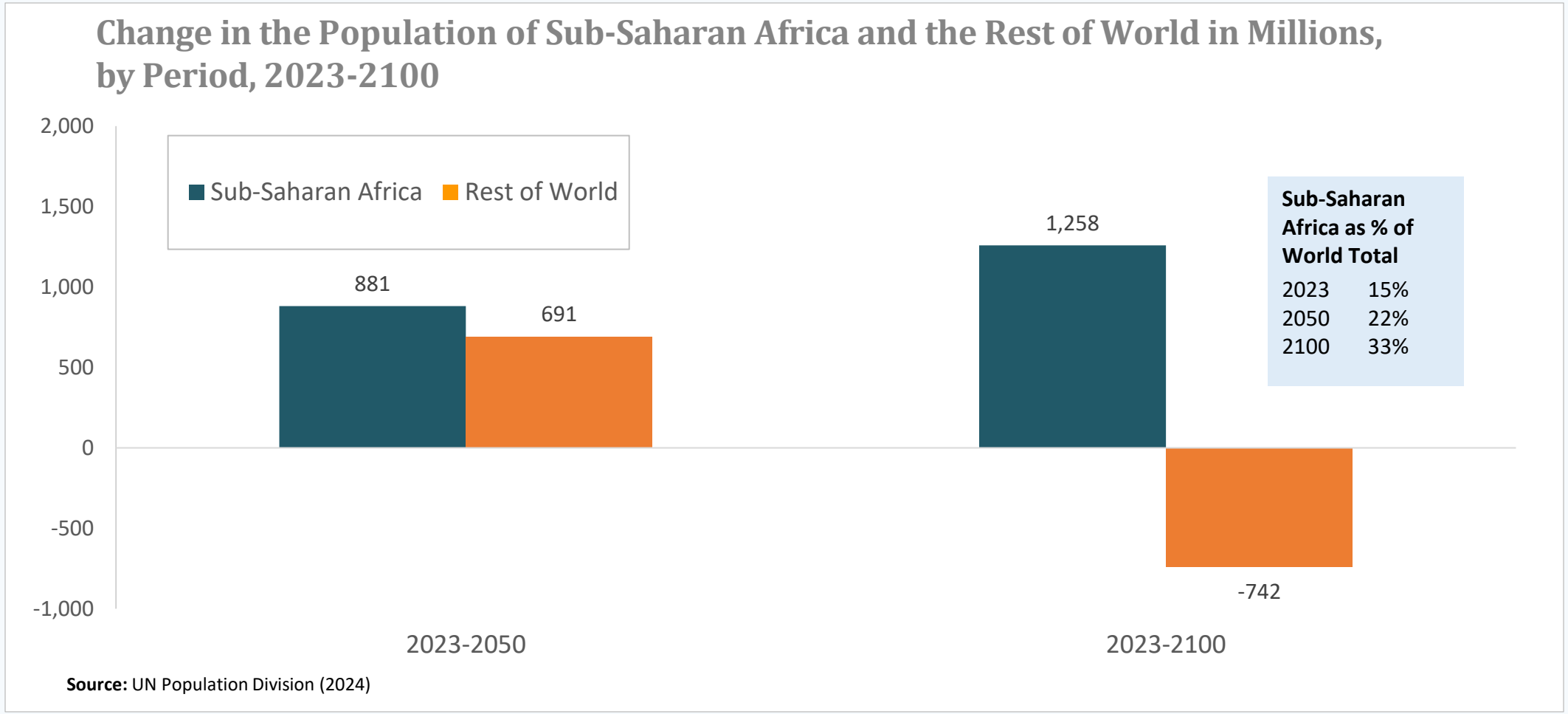
* Includes Oceania **Includes Caribbean

# The coming decades will see a massive shift in the distribution of the global population.




**Source:** UN Population Division (2024)

# Over the rest of the century, Sub-Saharan Africa will account for more than all growth in the global population.




**Source:** UN Population Division (2024)

# The World's Ten Most Populous Countries in 1950, 2000, 2050 & 2100

| | 1950 | 2000 | 2050 | 2100 |
|---|---|---|---|---|
| 1. | China (539M) | China (1.3B) | India (1.7B) | India (1.5B) |
| 2. | India (343M) | India (1.0B) | China (1.3B) | China (637M) |
| 3. | United States (153M) | United States (280M) | United States (380M) | Pakistan (511M) |
| 4. | Russia (103M) | Indonesia (215M) | Pakistan (370M) | Nigeria (477M) |
| 5. | Japan (86M) | Brazil (173M) | Nigeria (357M) | D.R.C. (429M) |
| 6. | Germany (70M) | Pakistan (153M) | Indonesia (320M) | United States (421M) |
| 7. | Indonesia (68M) | Russia (147M) | Ethiopia (223M) | Ethiopia (366M) |
| 8. | Brazil (53M) | Bangladesh (133M) | Brazil (218M) | Indonesia (296M) |
| 9. | UK (50M) | Japan (130M) | D.R.C. (216M) | Tanzania (262M) |
| 10. | Italy (46M) | Nigeria (125M) | Bangladesh (214M) | Bangladesh (209M) |
| | | 12. Germany (82M) | 13. Russia (136M) | 12. Brazil (164M) |
| | | 21. UK (59M) | 17. Japan (105M) | 17. Russia (126M) |
| | | 22. Italy (57M | 24. Germany (78M) | 32. Japan (77M) |
| | | | 26. UK (75M) | 33. UK (74M) |
| | | | 38. Italy (52M) | 35. Germany (71M) |
| | | | | 60. Italy (35M) |

Europe

Western Hemisphere

Eastern Asia

Southern Asia

Africa

**Source:** UN Population Division (2024)

# Economic Stagnation

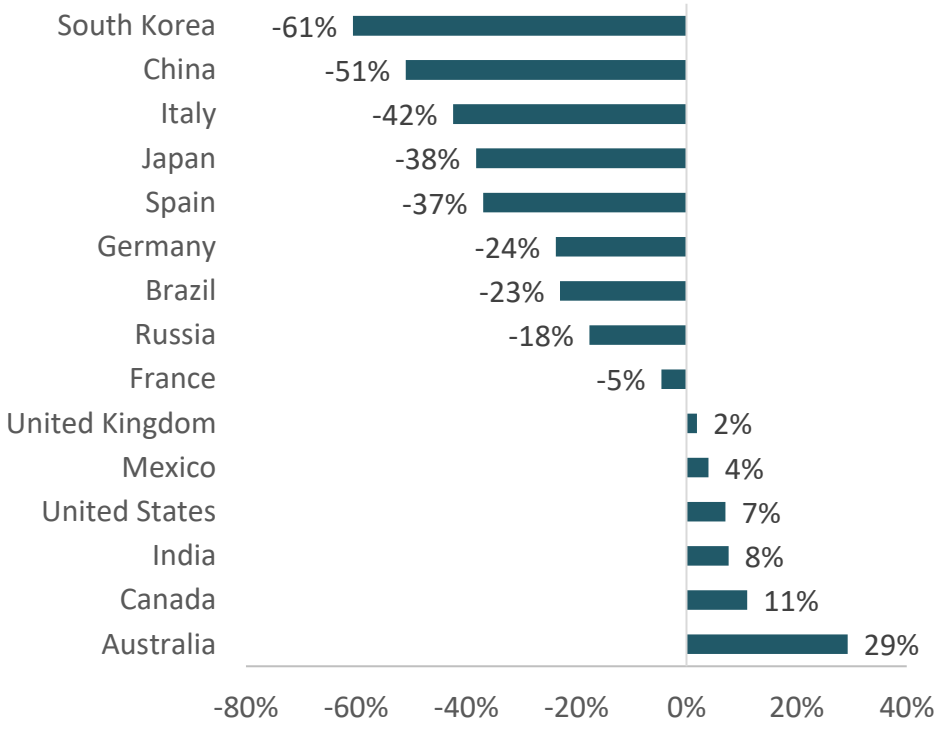
# More slowly growing or contracting workforces will become a growing drag on economic growth.

**Average Growth Rate in the Working-Age Population (Aged 20-64) of the G-7 Countries, by Decade, 1980s-2040s**

| | 1980s | 1990s | 2000s | 2010s | 2020s | 2030s | 2040s |
|---|---|---|---|---|---|---|---|
| **Canada** | 1.7% | 1.1% | 1.3% | 0.7% | 0.4% | 0.4% | 0.2% |
| **France** | 1.0% | 0.4% | 0.6% | -0.3% | 0.0% | -0.2% | -0.2% |
| **Germany** | 1.1% | 0.3% | -0.5% | 0.1% | -0.9% | -0.7% | -0.4% |
| **Italy** | 0.9% | 0.2% | 0.2% | -0.3% | -0.7% | -1.4% | -1.2% |
| **Japan** | 0.7% | 0.4% | -0.4% | -1.0% | -0.6% | -1.3% | -1.3% |
| **UK** | 0.7% | 0.4% | 0.7% | 0.4% | 0.4% | 0.3% | 0.0% |
| **U.S.** | 1.3% | 1.2% | 1.1% | 0.6% | 0.2% | 0.3% | 0.1% |

**Source:** UN Population Division (2024)

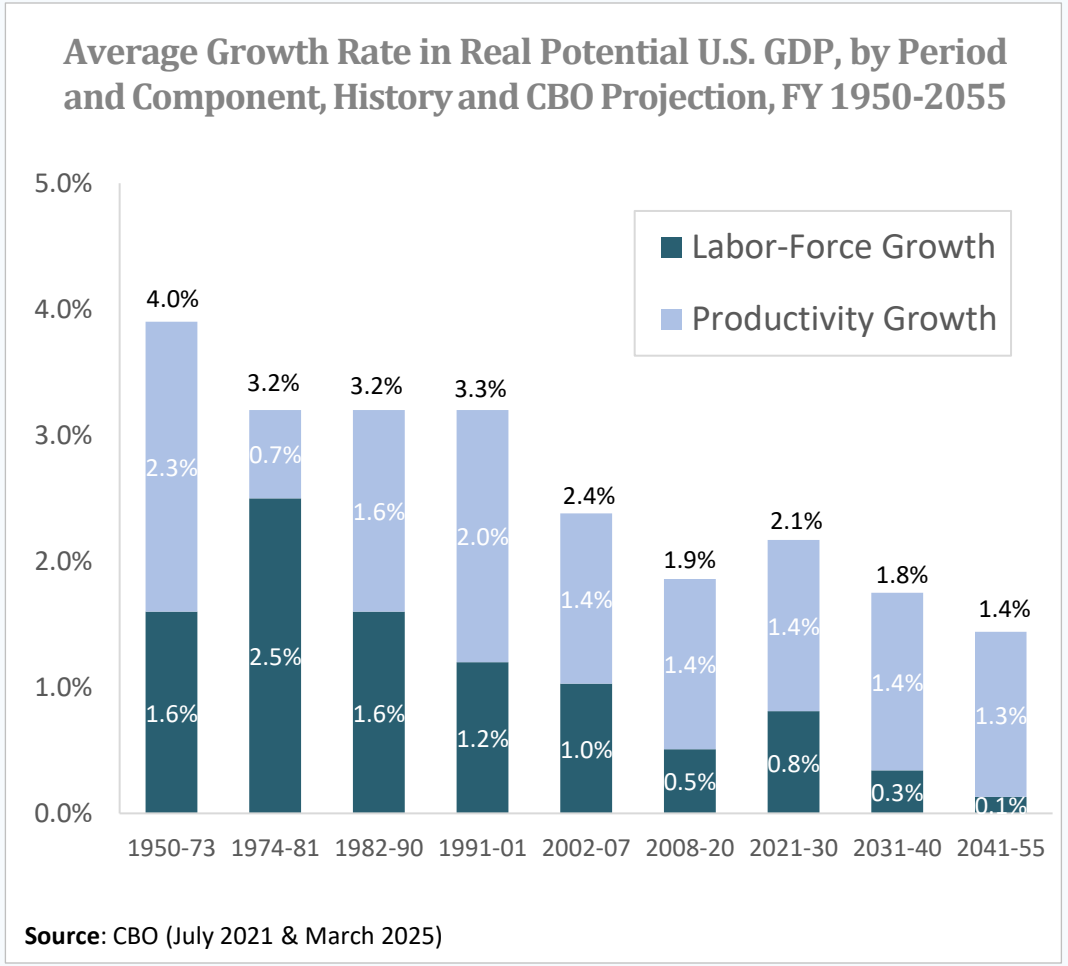
**Percent Change in the Working-Age Population (Aged 20-64) of the World's 15 Largest Economies, 2023 to 2075**




**Source:** UN Population Division (2024)

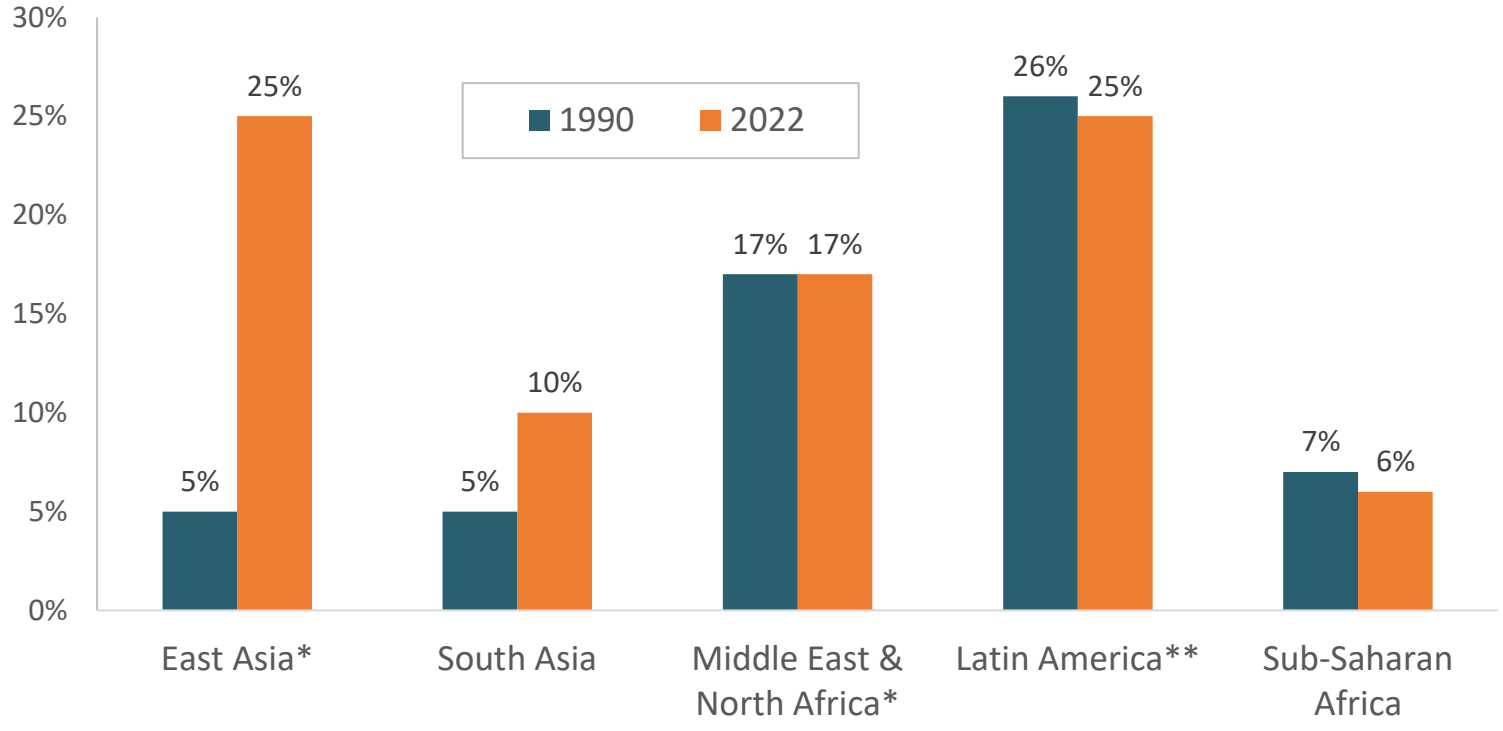
# There are many reasons to think that productivity growth is more likely to slow than to speed up in aging societies.

- Unless productivity growth increases faster than employment growth declines, Japan and some European countries may face "secular stagnation"—that is, zero growth in real GDP across the business cycle. Even in the United States, GDP growth could fall to less than half of its postwar average.
- There are many reasons to think that productivity growth is likely to be sluggish in aging societies:
  - Less capital broadening investment and an aging capital stock
  - Graying workforces, which may be less flexible, less mobile, and less entrepreneurial
  - Crowding out of private investment from capital markets and public investment from government budgets
  - The rise of anticompetitive business psychology and "beggar-thy-neighbor" protectionism




**Source**: CBO (July 2021 & March 2025)

# Middle Income Trap: Not many new countries seem to be joining the developed world club.




**Average Annual Growth Rate in Real GDP Per Capita, 1990 to 2022**

| | |
|---|---|
| East Asia* | 6.4% |
| South Asia | 3.9% |
| Middle East & N. Africa* | 1.4% |
| Latin America** | 1.4% |
| Sub-Saharan Africa | 0.8% |

**Percent of U.S. GDP Per Capita**

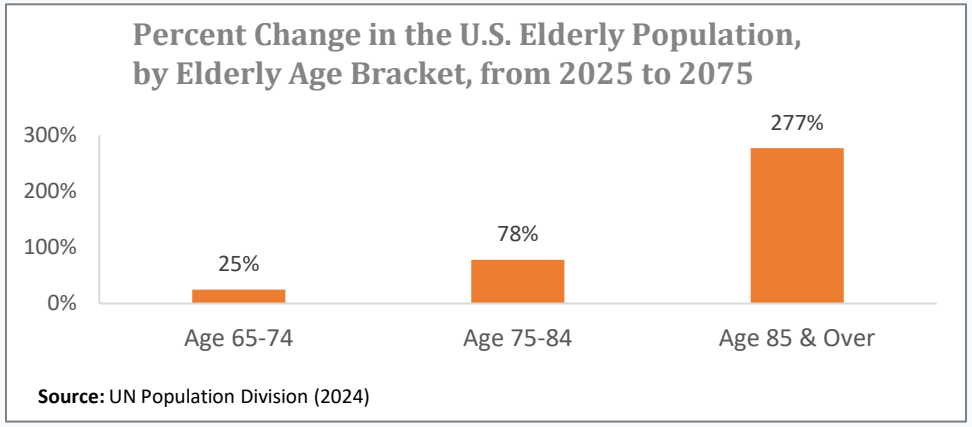
| | 1990 | 2024 |
|---|---|---|
| Bahamas | 75% | 48% |
| Barbados | 38% | 26% |
| Belize | 19% | 18% |
| Jamaica | 20% | 14% |
| Trinidad & Tobago | 27% | 42% |

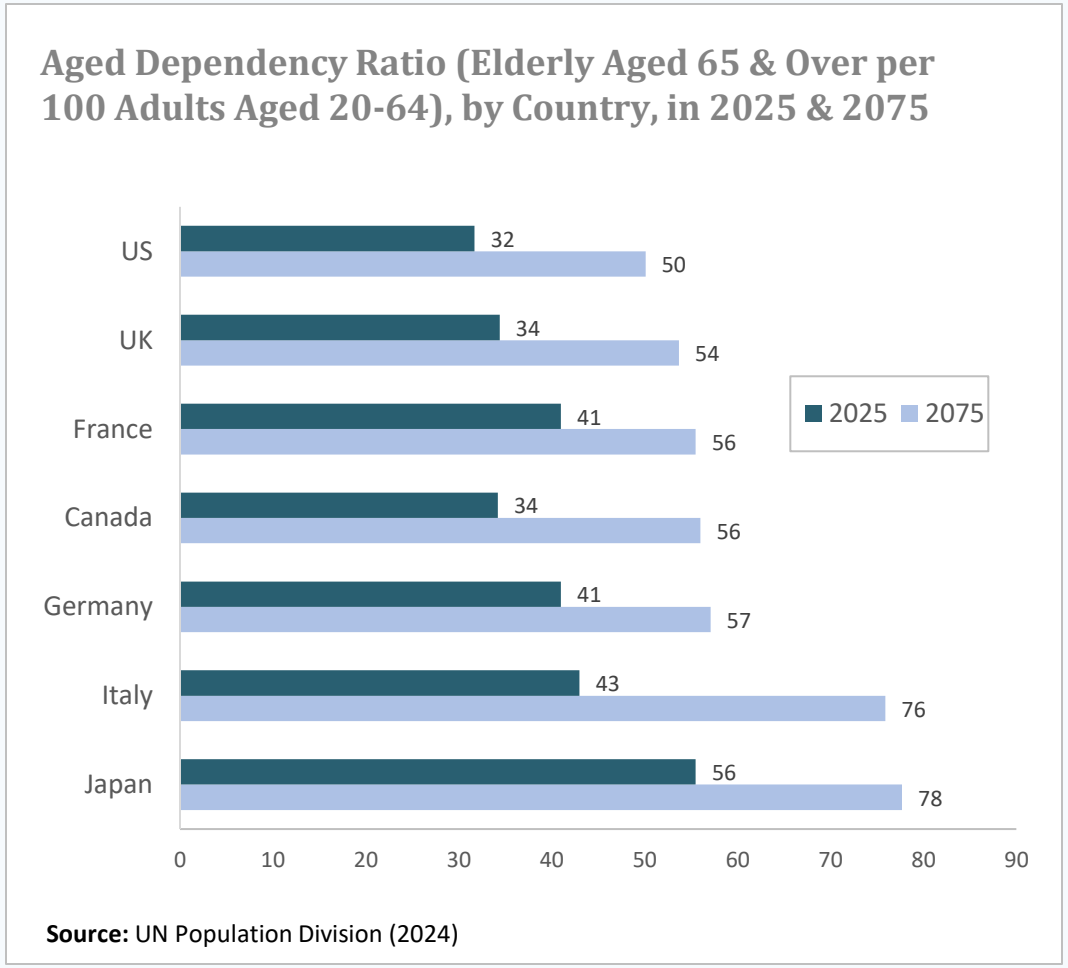
**Source:** World Bank (2023 & 2025)

*Excludes high-income countries **Includes Caribbean

# Even as economic growth slows, rising aged dependency ratios will translate into rising fiscal burdens.

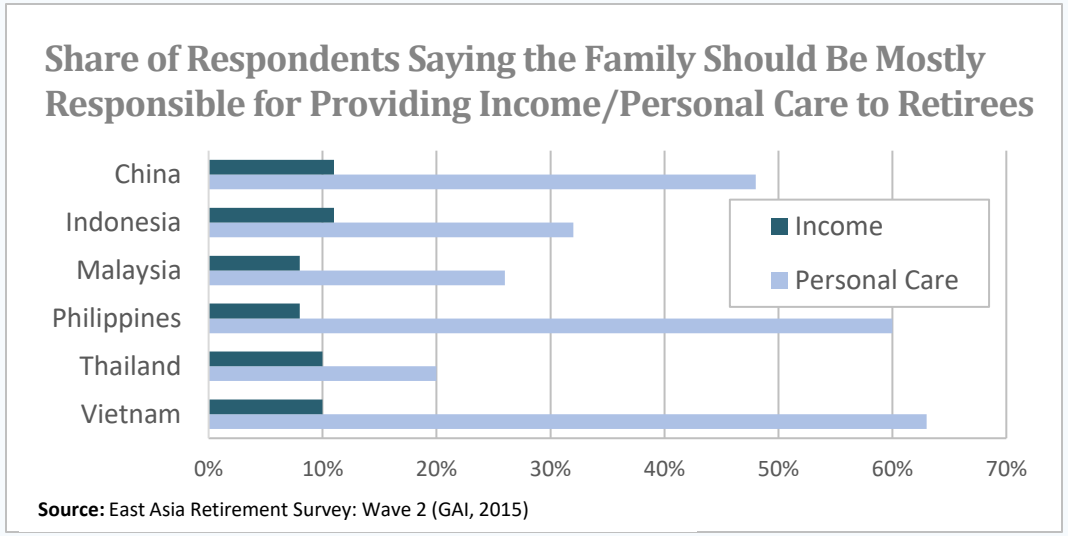
- Falling fertility and rising life expectancy translate into a rising aged dependency ratio, which in turn translates into a rising cost rate for PAYGO benefit programs.
- In the case of health care, there are further age-related multipliers. The elderly consume more health care per capita than the nonelderly, the older the elderly are the more they consume, and the oldest elderly age brackets are the fastest growing of all.



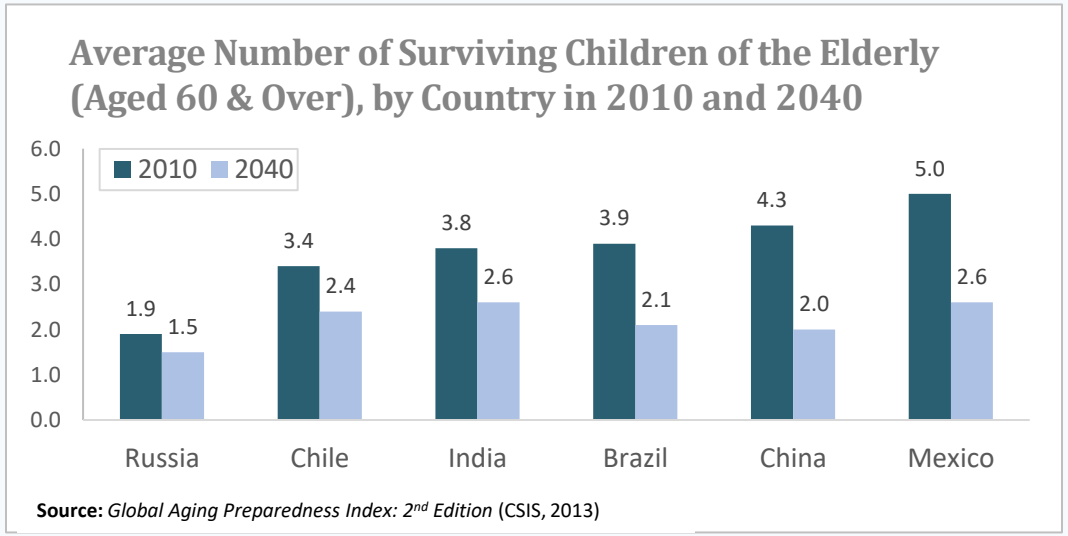



# As family support networks come under demographic pressure, new burdens may be shifted to government.

- The extended family now plays a critical role in caring for the frail elderly in most societies around the world, whatever their stage of development.
- In many emerging markets, the family also plays a critical role in old-age income support. Multi-generational living is common and income generally flows up the age ladder from young to old.
- This traditional system of family-based old-age support is already under stress from the forces of modernization and will soon come under intense new demographic pressure from declining family size.
- While governments everywhere may find themselves shouldering new burdens as family size declines, the burdens will be especially onerous in emerging markets, which are aging while they are still in the midst of development and before they have put in place the full protections of a modern welfare state.



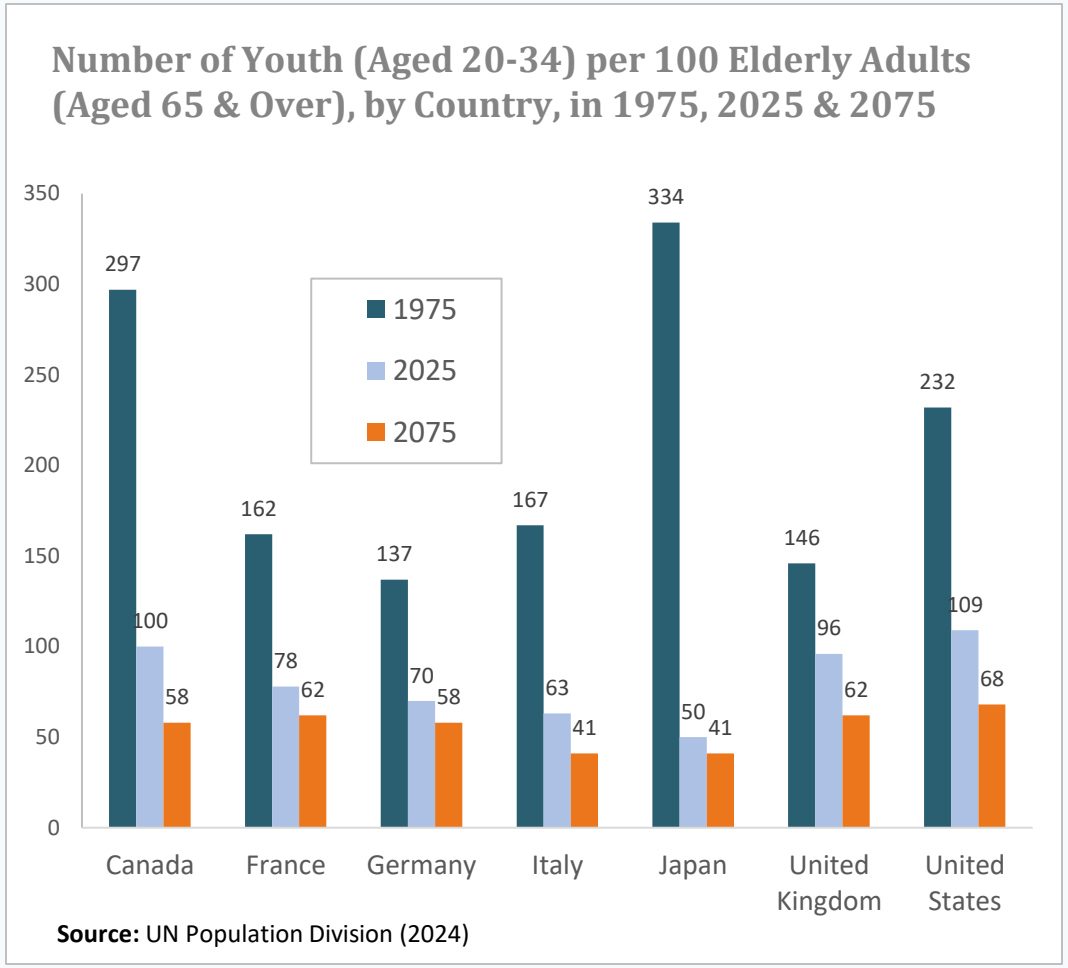

**Source:** East Asia Retirement Survey: Wave 2 (GAI, 2015)




**Source:** *Global Aging Preparedness Index: 2nd Edition* (CSIS, 2013)

# Shifts in business psychology and social mood could exacerbate the economic and fiscal challenges facing aging societies.

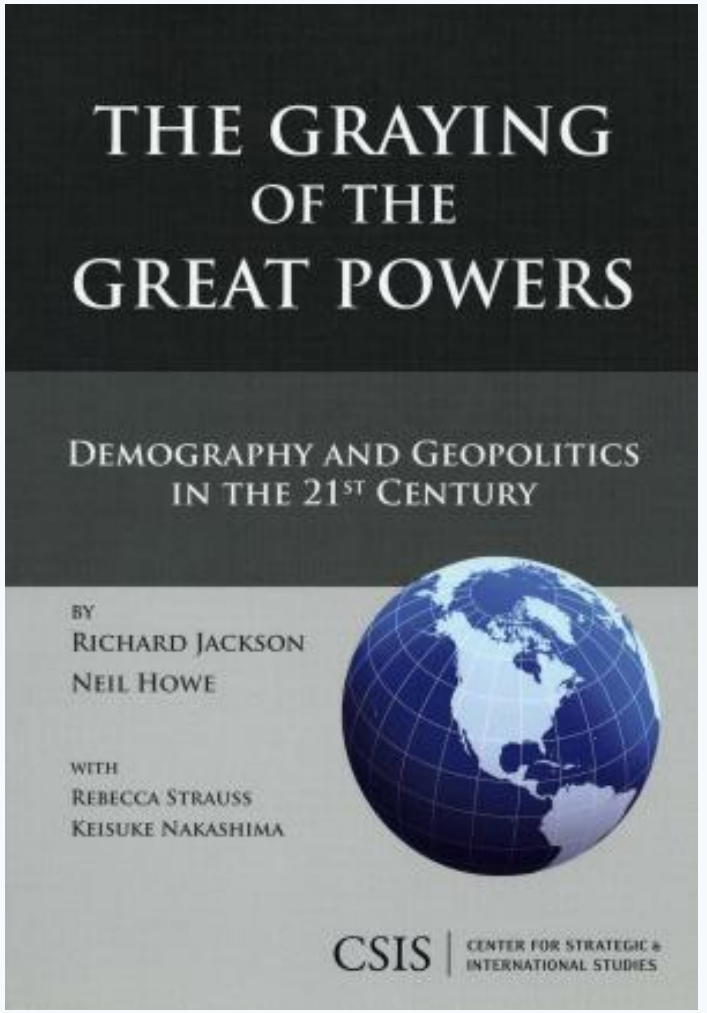
- With domestic markets growing more slowly, we may see more cartel behavior to protect market share and more restrictive rules on hiring and firing to protect jobs. We may also see increased pressure on governments to block foreign competition.
- Shifts in business psychology could be mirrored by a broader shift in social mood. Aging societies may be more risk averse, have shorter time horizons, and be less willing to make investments with long-term payoffs.
- A robust statistical literature establishes that extremely youthful societies are often dysfunctional. Extremely aged societies may also prove to be dysfunctional in some ways, favoring consumption over investment, the past over the future, and the old over the young.



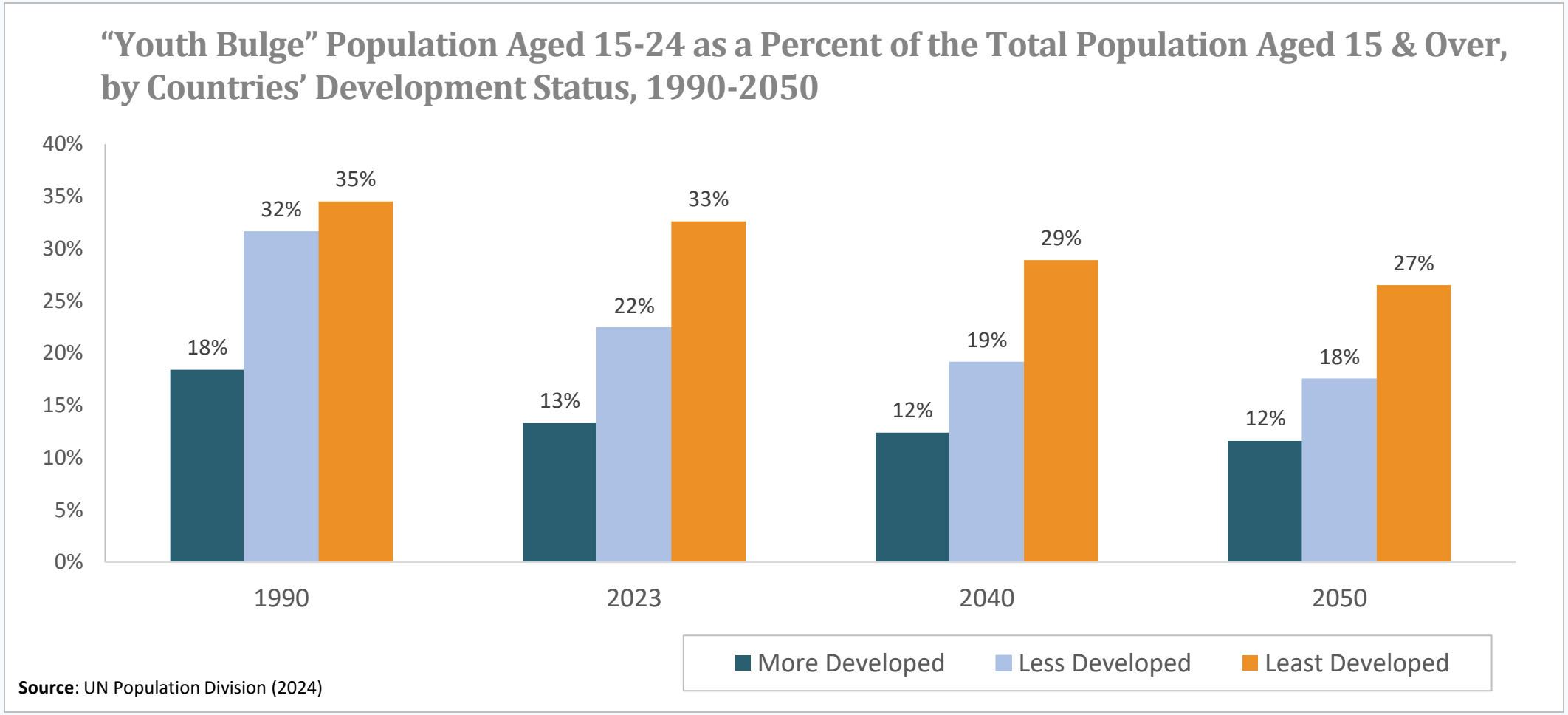
# Geopolitical Instability

# An aging developed world may lack the capacity and the will to maintain today's rules-based world order.

- Although population size alone does not determine geopolitical stature, population size and economic size together are potent twin engines of national power.
- They underpin the hard power of national defense and the semi-hard power of foreign assistance. They may also reinforce the "soft power" that flows from dominance of global business and the global culture.
- In coming decades, the developed world will be shrinking demographically and economically relative to a faster-growing emerging world.
- While history has many examples of small powers that exercised outsized geopolitical power, it has few if any of geopolitically rising powers that were at the same time demographically and economically declining powers.



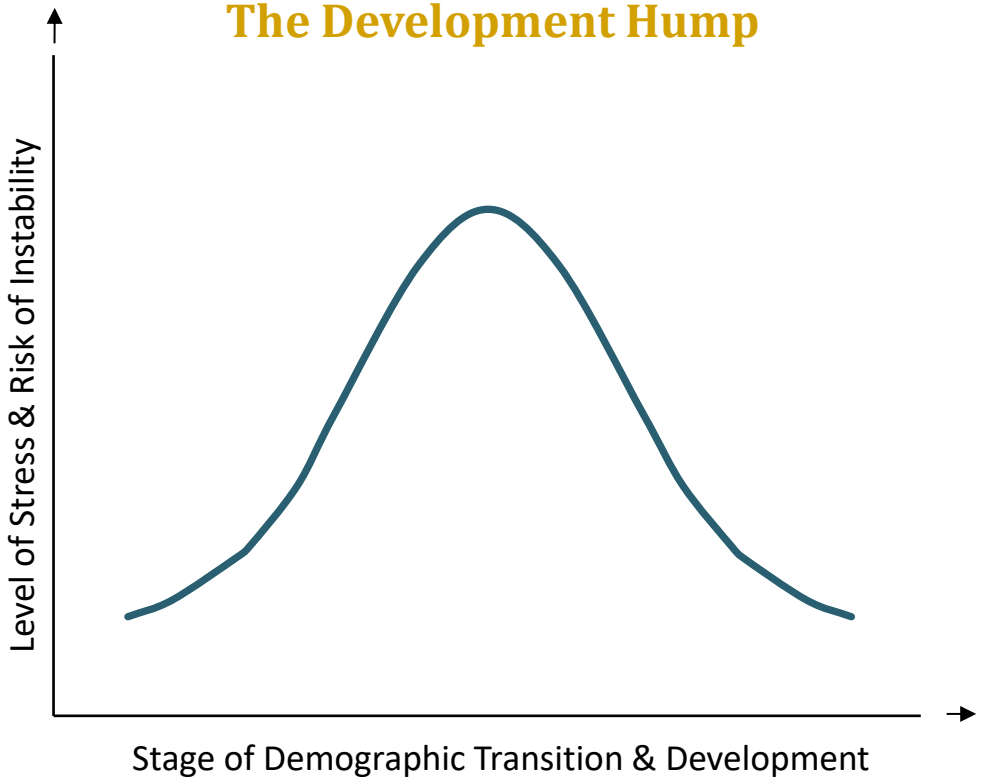
# Geopolitical Threats: Continuing Youth-Driven Instability in the Poorer Parts of the Developing World




**Source**: UN Population Division (2024)

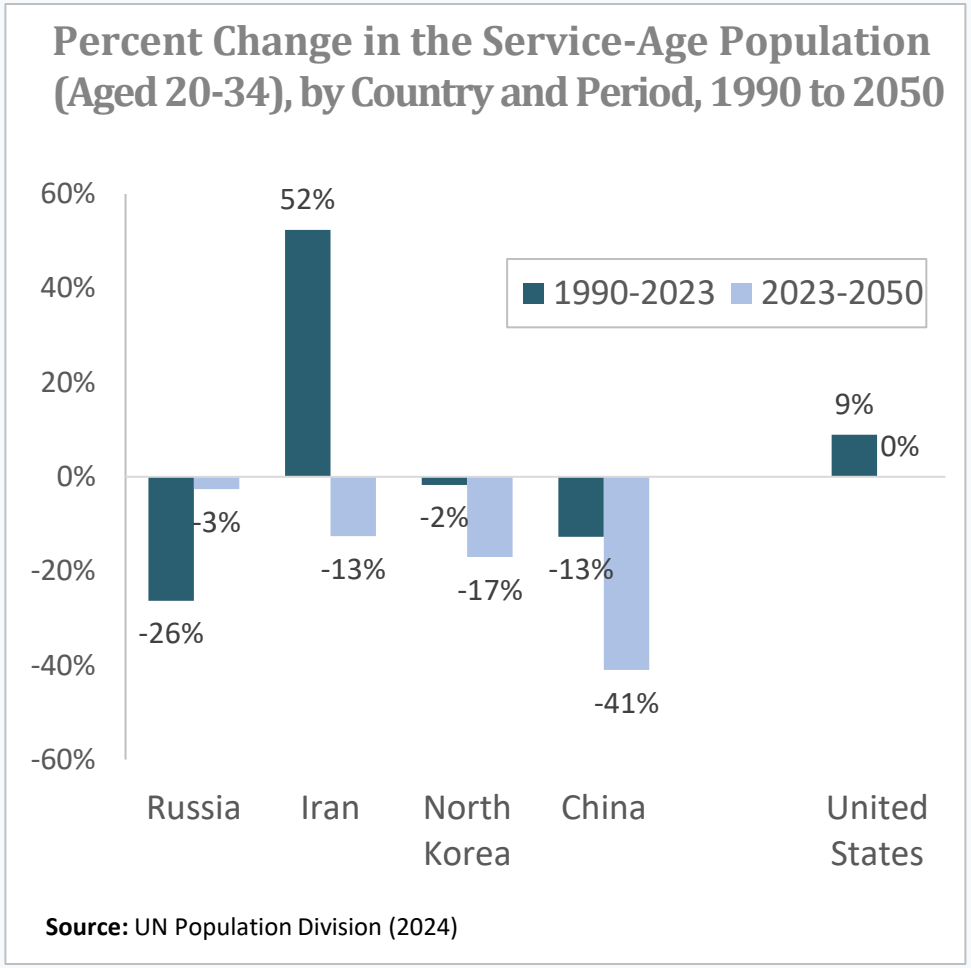
# Geopolitical Threats: The Appeal of Authoritarianism in Rapidly Developing Middle-Income Countries

- Societies undergo tremendous stress as they move from the traditional to the modern.
  - Rapid urbanization
  - Environmental degradation
  - Growing income inequality
  - Growing ethnic competition
  - Religious extremism
- The appeal of the "China model" to many governments in the emerging world lies in its proven ability to leverage the upside of development (economic growth) while also managing the downside (social instability).

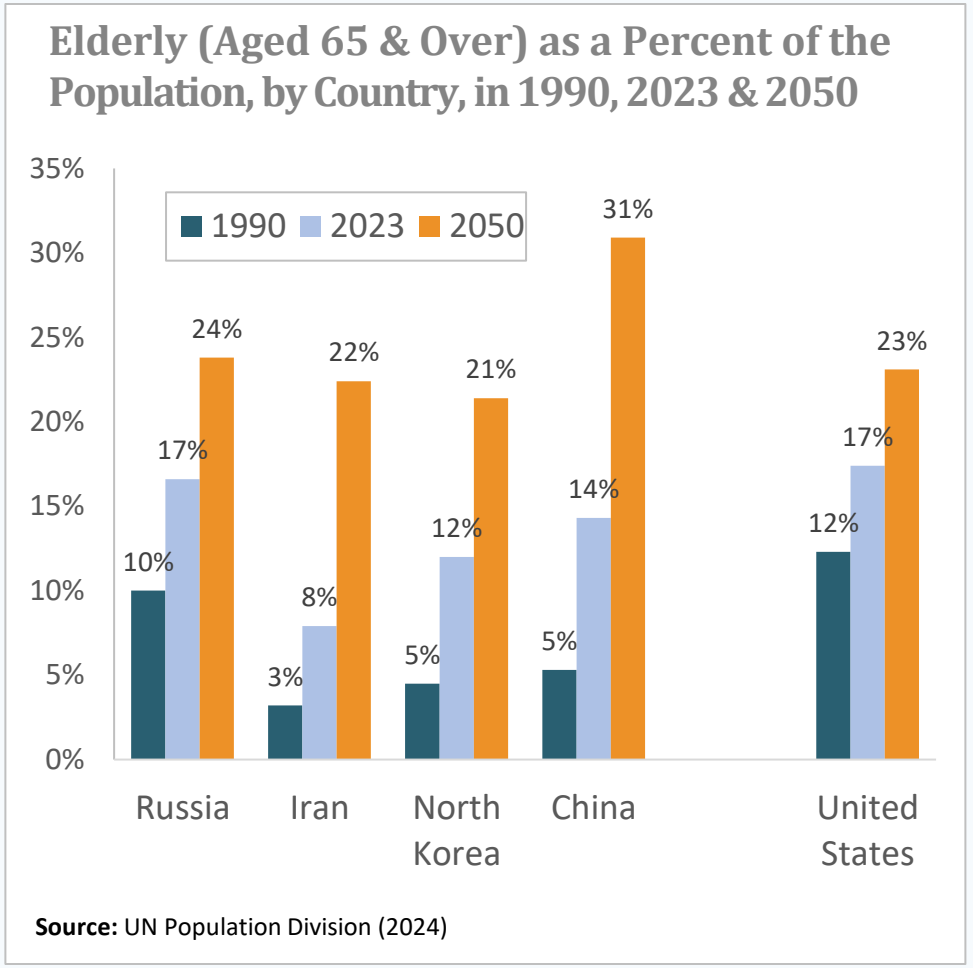



**Source**: Author's illustration.

# Two Competing Theories of Great Power Competition: The Geriatric Peace Thesis

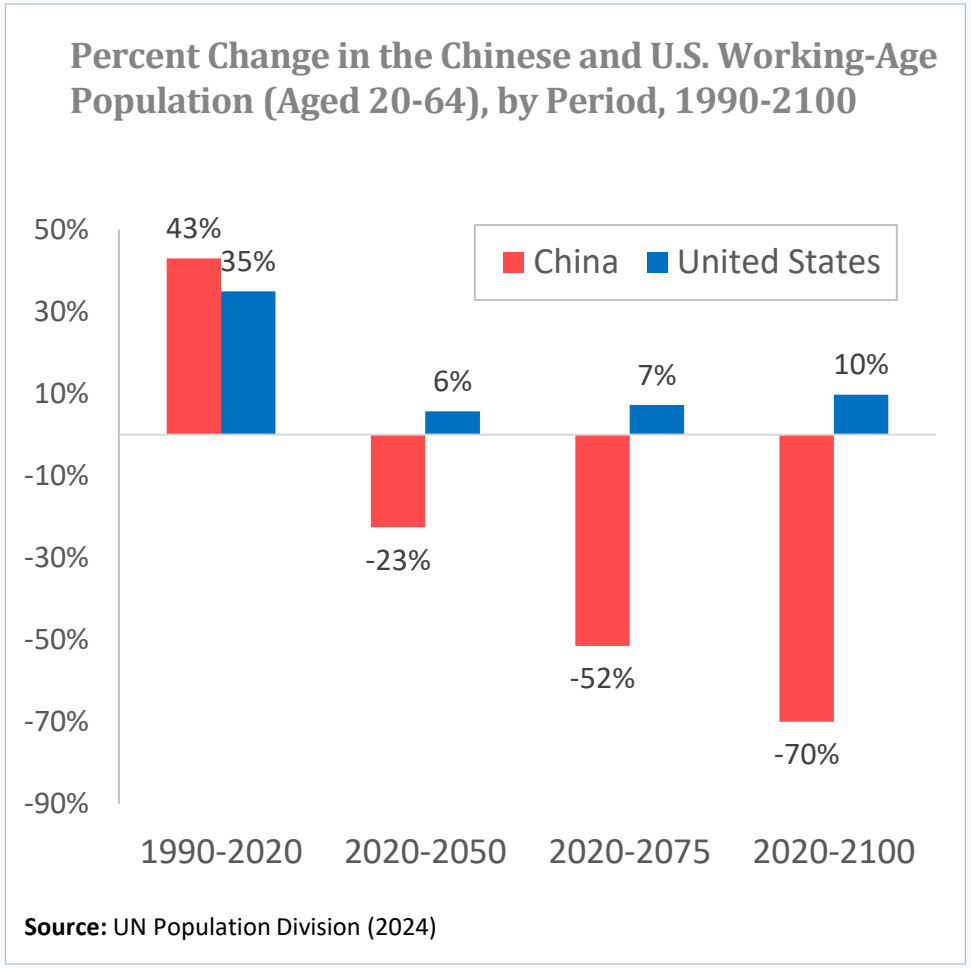



**Source:** UN Population Division (2024)

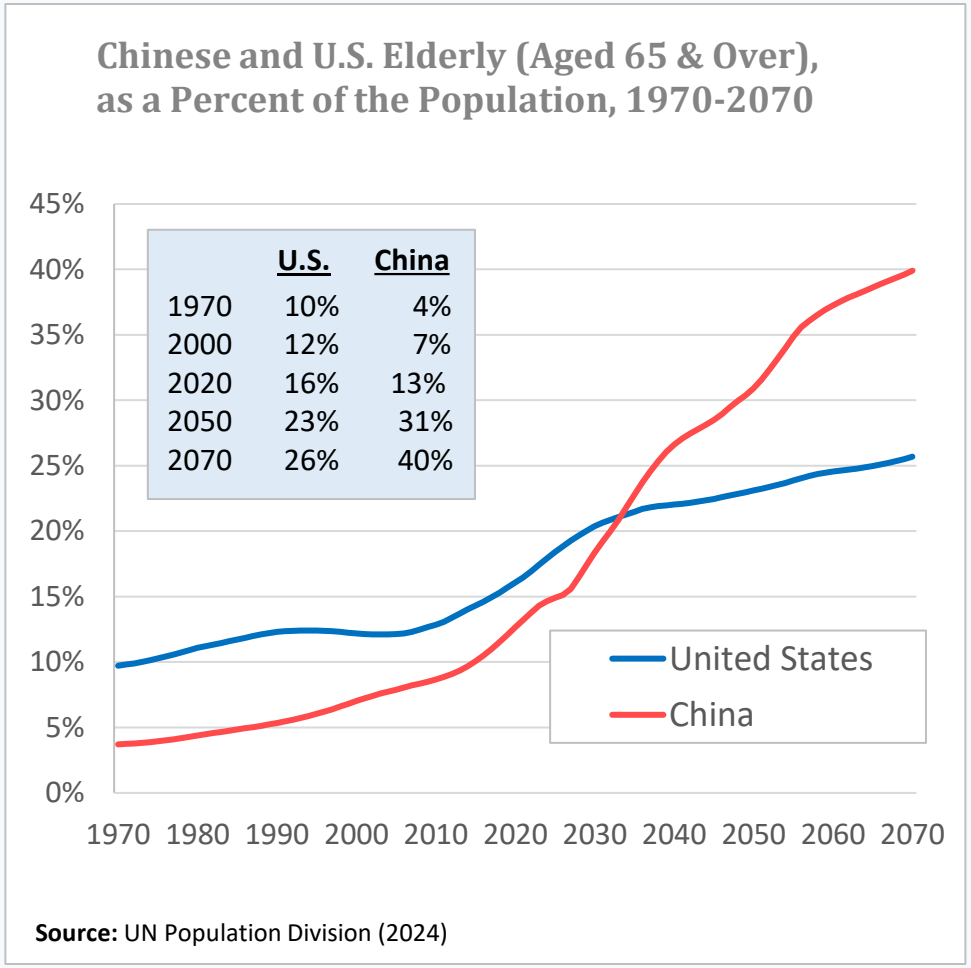



**Source:** UN Population Division (2024)

# Two Competing Theories of Great Power Competition: The Thucydides Trap




**Source:** UN Population Division (2024)




**Source:** UN Population Division (2024)

# Strategic Responses

# A Schema of Strategic Responses

## Strategies to Limit the Extent of Population Aging

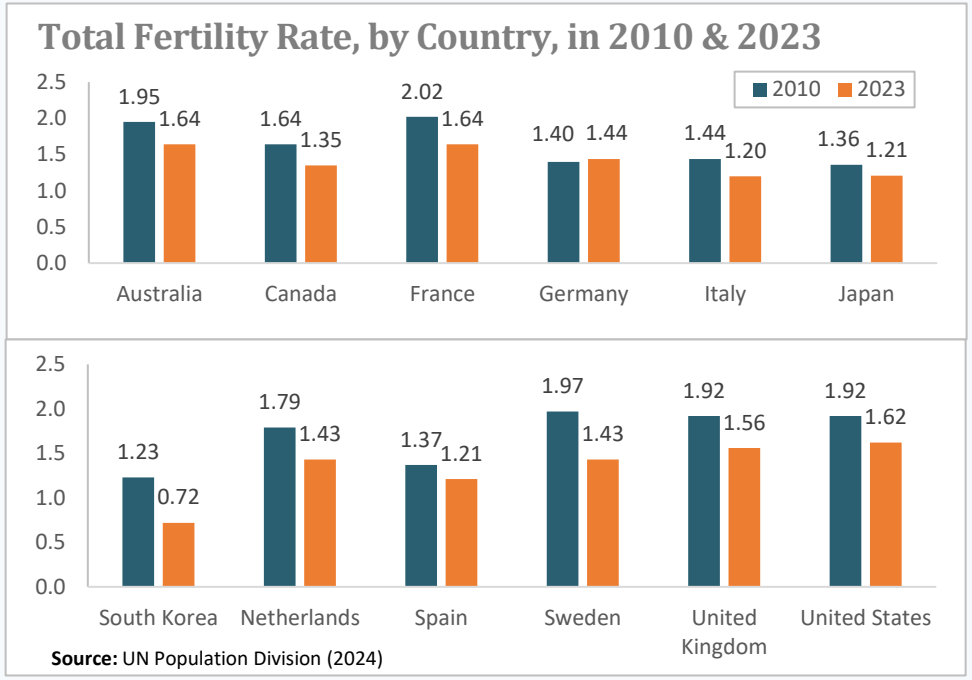
- Encourage higher birthrates
- Increase net immigration

## Strategies to Boost Economic Growth Assuming Any Given Degree of Population Aging

- Encourage longer work lives
- Reduce fiscal burdens
- Leverage globalization

# Strategy: Encourage Higher Birthrates

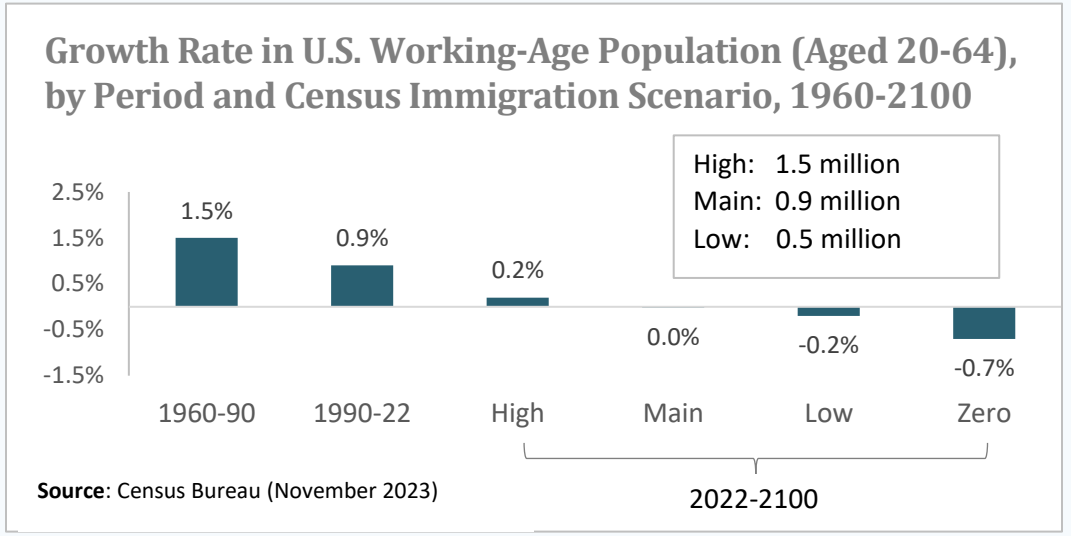
- In recent years, many countries have introduced policies that are explicitly or implicitly designed to encourage higher birthrates, from “baby bonuses” and tax breaks for families with children to subsidized daycare and paid maternity and paternity leave.
- The results have been disappointing. Cash and tax incentives appear to have no appreciable effect on birthrates. And while policies that focus on helping parents balance work and family responsibilities may have boosted birthrates in countries like France and Sweden for a while, their effect has faded over time.
- It is true that, when surveyed, women in many low-fertility countries say that they would like to have more children than they are actually having. This suggests that there may be a role for public policy in eliminating obstacles to achieving desired family size.
- As a strategy for addressing population aging, however, pronatal policies are clearly a blunt instrument. Birthrates are now falling steeply in virtually every country in the world, regardless of the types of pronatal policies they have in place.

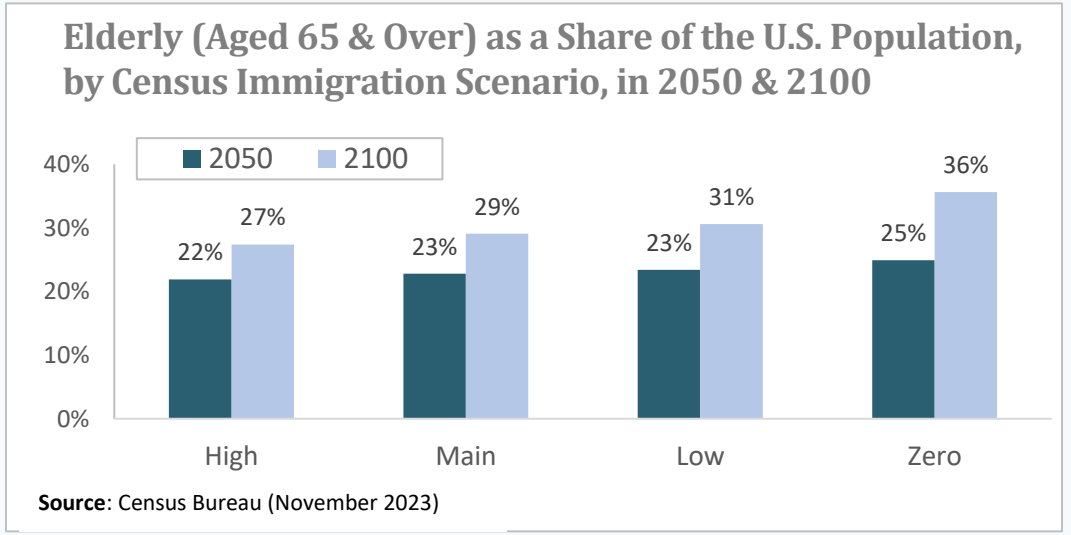



**Source:** UN Population Division (2024)

# Strategy: Increase Net Immigration

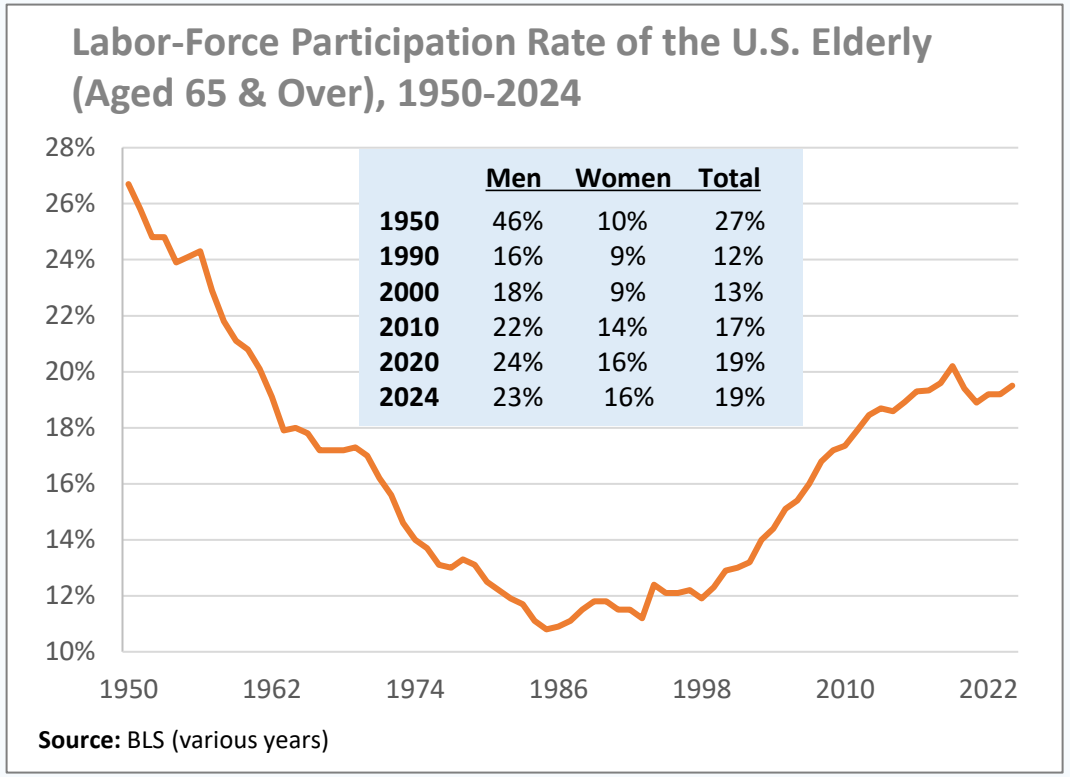
- In a low-fertility environment, immigration becomes an increasingly important determinant of future population growth rates and age structures.
- Immigration Conundrum: The lower the fertility rate, the greater the potential economic benefits of higher immigration. Yet the lower the fertility rate, the more socially and culturally threatening any given level of immigration may appear.
- A few developed countries, notably Australia and Canada, have made immigration the lynchpin of their strategies for addressing the aging challenge. Most developed countries, however, are now moving toward more restrictive immigration policies.
- The exception to this trend involves temporary immigration programs, which may provide a means of enjoying the economic benefits of immigration while allaying fears about the social costs.



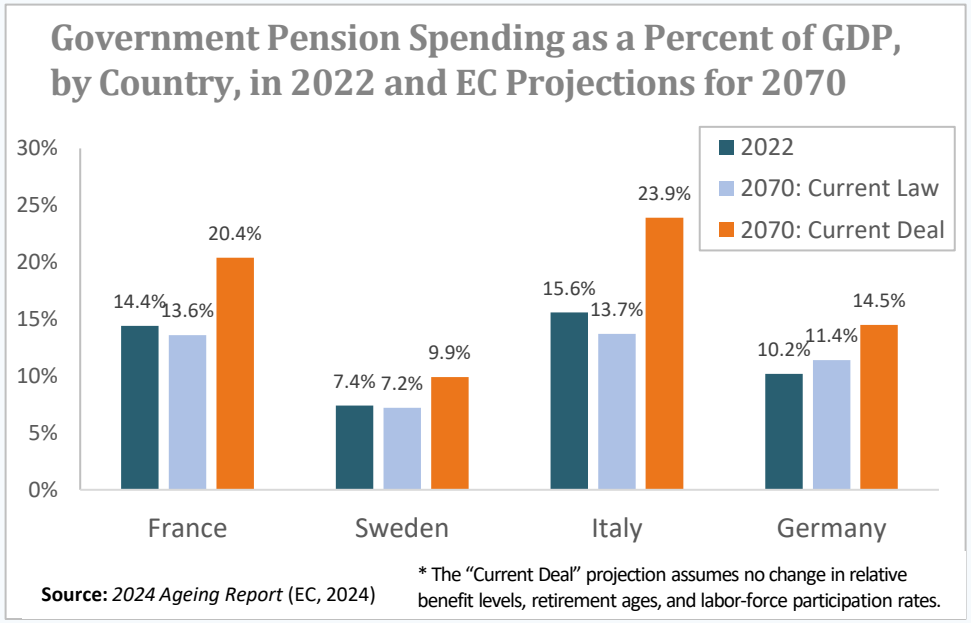
# Strategy: Encourage Longer Work Lives

- The elderly are not only the fastest growing segment of the population in most countries, but are also the most underutilized human resource.
- Longer work lives could help to offset the drag that slower growth in the population in the traditional working years would otherwise put on economic growth.
- Both life spans and health spans have risen dramatically since today's retirement institutions were first put in place, while the structure of the economy has also changed in ways that make later retirement feasible.
- In an encouraging development, after bottoming out in the 1990s or early 2000s retirement ages have once again begun to rise in most developed countries.
- In the developed countries, policies that encourage longer work lives will need to take into account the wide differences by income and educational attainment in life expectancy and ability to work at older ages.
- In emerging markets, policies that encourage longer work lives will need to take into account the wide differences in skills between older and younger workers.



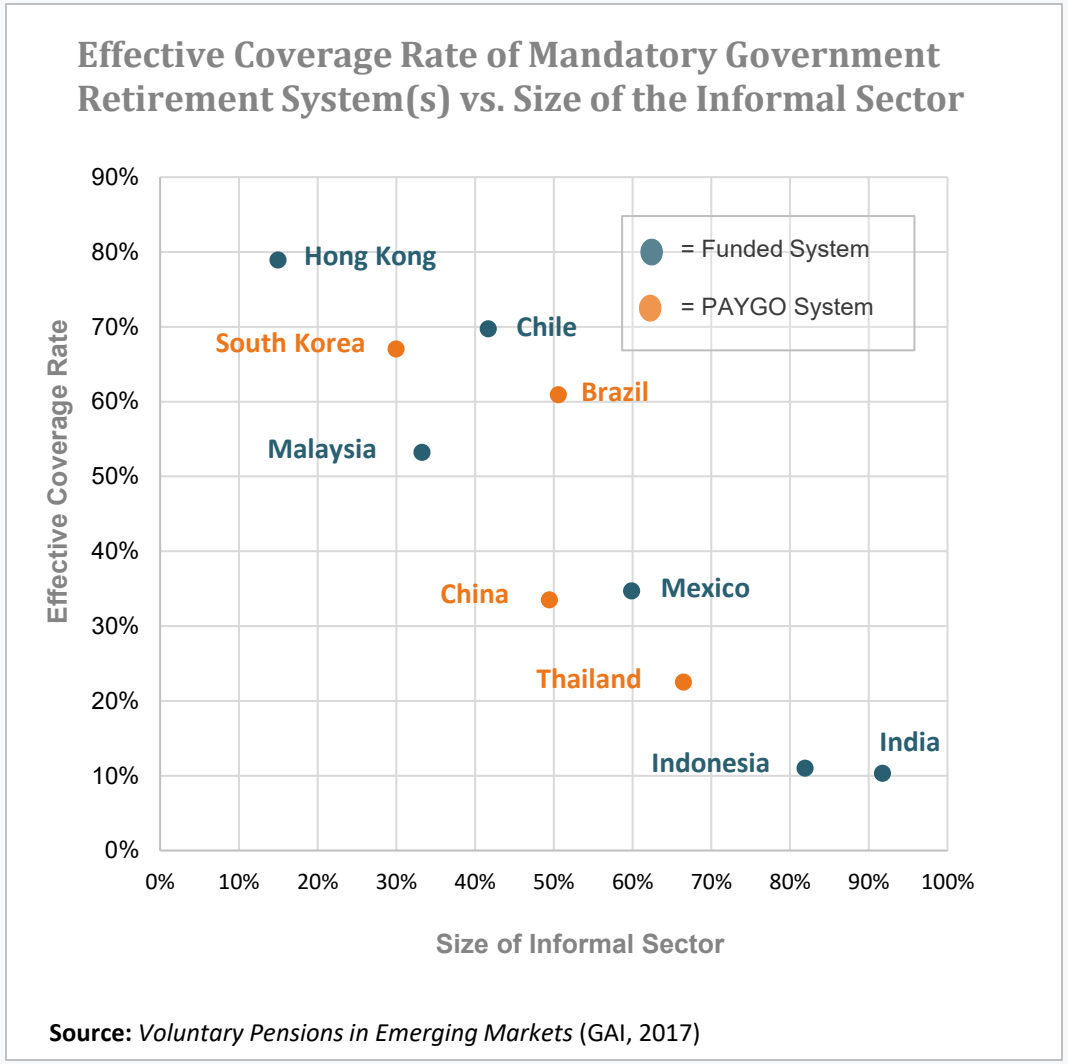
# Strategy: Reduce Fisal Burdens

- **Developed Country Challenge:** How to maintain a high standard of living for the old without putting a crushing burden on the young
- **Emerging Market Challenge:** How to afford a modicum of income security for the old when most of the elderly now have none at all




**Source:** *2024 Ageing Report* (EC, 2024)

* The "Current Deal" projection assumes no change in relative benefit levels, retirement ages, and labor-force participation rates.




**Source:** *Voluntary Pensions in Emerging Markets* (GAI, 2017)

# Strategy: Leverage Globalization

- The differential pace and timing of population aging across the countries and regions of the world creates important economic opportunities.
- Open global capital markets can mitigate the economic costs of population aging by allowing savings in older and more slowing growing developed countries to be more profitably invested in younger and faster growing emerging markets.
- Open global labor markets can allow workers in countries where labor is abundant and capital is scarce to be matched with job opportunities in countries where just the opposite is true.
- As the world ages, globalization will not only be more critical to maintaining growth and prosperity, it could also help to diffuse geopolitical tensions. The danger is that protectionist pressures in aging, slow-growth economies will push the other way.

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