

THE GRAYING OF THE GREAT POWERS

Demography and Geopolitics in the 21st Century

Major Findings of the Report

by

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This report explores the geopolitical implications of “global aging”—the dramatic demographic transformation in population age structures and growth rates being brought about by falling fertility and rising longevity worldwide. Its viewpoint is that of the United States in particular and today’s developed countries in general. Its timeframe is roughly the next half-century, from today through 2050. Its conclusions are based on detailed demographic projections buttressed by economic projections.

The report assesses how population aging and population decline in the developed world may constrain the ability of the United States and its traditional allies to maintain national and global security. The analysis not only considers the impact of the demographic trends on population numbers, wealth, and defense capability, it also explores how they could change the temperament of society—and thus national goals themselves. The report also looks closely at how demographic trends in the developing world will shape the future global security environment—and the threats and opportunities they pose for today’s graying great powers.

This overview summarizes the report’s main findings under two headings: important conclusions about the demographic transformation; and critical geopolitical implications for U.S. and developed-world security strategy. It also lays out a framework for policy action.

MAJOR FINDINGS: THE DEMOGRAPHIC TRANSFORMATION

- *The world is entering a demographic transformation of historic and unprecedented dimensions.*

The transformation is not a transitory wave like the baby *boom* many affluent countries experienced in the 1950s or the baby *bust* they experienced in the 1930s. It is, instead, a fundamental shift with no parallel in the history of humanity.

Consider median age. Until the beginning of the twentieth century, a national median age higher than 30 was practically unheard of. As recently as 1950, no nation in the world had a median age higher than 36. Today, 8 of the 16 nations of Western Europe have a median age of 40 or higher. By 2050, 6 will have a median age of 50 or higher. So will Japan, all of the East Asian Tigers, virtually all of Eastern Europe, and most of the Christian CIS countries of the Russian sphere. (See Figure 1.) Or consider population growth. Throughout all of history until now, populations have behaved in one of two ways. They have grown steadily, or they have declined fitfully due to disease, starvation, or violence. In the coming decades we will see something entirely new: large, low-birthrate populations that steadily contract. There are already 18 countries in the world with contracting populations. By 2050, there will be 44, the vast majority in Western and Eastern Europe, the Russian sphere, and East Asia. (See Figure 2.)

Figure 1: Countries Whose Median Age is Projected to be 50 or Over in 2050*

Taiwan	56.3	Hong Kong, SAR	54.0	Armenia	52.3
Japan	56.2	Ukraine	54.0	Croatia	52.1
Bulgaria	55.9	Romania	53.9	Cuba	52.0
South Korea	55.5	Slovakia	53.9	Germany	51.8
Slovenia	55.3	Latvia	53.8	Belarus	51.7
Czech Republic	55.0	Italy	53.5	Hungary	51.2
Poland	54.4	Greece	53.3	Portugal	51.1
Singapore	54.3	Lithuania	52.8	Austria	50.9
Spain	54.2	Bosnia & Herzegovina	52.7	Georgia	50.2

*Excludes countries whose population is less than 1 million.

Source: *World Population Prospects* (UN, 2007); and Population Projections for Taiwan Area 2006-2051, Council for Economic Planning and Development, Taiwan, <http://www.cepd.gov.tw/encontent/>.

Figure 2: Countries Projected to Have Declining Populations, by Period of the Decline's Onset*

Already Declining:		Decline Beginning: 2009-2029		Decline Beginning: 2030-2050	
Hungary	(1981)	Italy	(2010)	Azerbaijan	(2030)
Bulgaria	(1986)	Slovakia	(2011)	Denmark	(2031)
Estonia	(1990)	Bosnia &	(2011)	Belgium	(2031)
Georgia	(1990)	Herzegovina		Thailand	(2033)
Latvia	(1990)	Greece	(2014)	North Korea	(2035)
Armenia	(1991)	Serbia	(2014)	Singapore	(2035)
Romania	(1991)	Portugal	(2016)	Netherlands	(2037)
Lithuania	(1992)	Cuba	(2018)	Switzerland	(2040)
Ukraine	(1992)	Macedonia	(2018)	United Kingdom	(2044)
Moldova	(1993)	Spain	(2019)	Hong Kong, SAR	(2044)
Belarus	(1994)	Taiwan	(2019)	Puerto Rico	(2044)
Russian Federation	(1994)	South Korea	(2020)	Kazakhstan	(2045)
Czech Republic	(1995)	Austria	(2024)		
Poland	(1997)	Finland	(2027)		
Germany	(2006)	China	(2029)		
Japan	(2008)				
Croatia	(2008)				
Slovenia	(2008)				

*Excludes countries whose population is less than 1 million.

Source: See Figure 1.

- *The coming transformation is both certain and lasting; there is almost no chance that it will not happen—or that it will be reversed in our lifetime.*

The public is sometimes skeptical of long-term expert forecasts (about resource depletion or climate change, for example) based on complex methodologies and difficult assumptions. Here, however, there is no reason for skepticism. Demographic aging is about as close as social science ever gets to a certain forecast. Every demographer agrees that it is happening, and that absent a global catastrophe—a colliding comet or a deadly super virus—it will continue to gather momentum.

The reason is simple: Anyone over the age of 43 in the year 2050 has already been born and can therefore be counted. And although the number of younger people cannot be projected as precisely, few demographers believe that low fertility rates in the developed world will reverse anytime soon. Some suggest that societies with very low fertility may enter a social and cultural “low fertility trap” that prevents fertility from rising again. Even if that does not happen and even if fertility rates do experience a strong and lasting rebound, the declining share of young (childbearing age) adults in the population will delay any positive impact on overall population. Demographers call this demographic momentum. Population growth takes a long time to slow down. Once stopped, it takes a long time to speed up again.

- *The transformation will affect different groups of countries at different times. The regions of the world will become more unlike before they become more alike.*

As the term global aging correctly implies, nearly every country in the world is projected to experience some shift toward slower population growth and a higher median age. This does not mean, however, that the world is demographically converging. Most of today’s youngest countries (such as those in sub-Saharan Africa) are projected to experience the least aging. Most of today’s oldest countries (such as those in Western Europe) are projected to experience the most aging. As a result, the world will experience an increasing divergence or “spread” of demographic outcomes over the foreseeable future.

During the 1960s, 99 percent of the world’s population lived in nations that were growing at a rate of between +0.5 percent and +3.5 percent annually. By the 2030s, that 99 percent range will widen to between -0.9 percent and +3.5 percent annually. By then, most nations will be growing more slowly, and indeed many will be shrinking—but some will still be growing at a blistering pace of 3-plus percent per year. In both Western Europe and the Arab world, the median age will rise between now and 2050. But the median age in Western Europe will rise slightly faster, causing the gap to widen. Here again, the trend is toward increasing demographic diversity.

- *In the countries of the developed world, the transformation will have sweeping strategic, economic, social, and political consequences.*

Size of the Population and Economy. Most obviously, the growth rates of the service-age population, the working-age population, and (therefore) of the GDP in the typical developed country will all fall far beneath their historical trend and also beneath growth rates in most of the rest of the world. In many developed countries, workforces will actually shrink from one decade to the next—and GDPs may stagnate.

Structure and Productivity of the Economy. In slowing and aging economies, the sectoral shift toward services will accelerate, employees will become less adaptable and mobile, innovation and entrepreneurship will decline, rates of investment and savings will fall, public-sector deficits will rise, current account balances will turn negative, and arguments over immigration (both pro and con) will intensify.

Social Mood. Psychologically, older societies will be more conservative in outlook and possibly more risk-averse in electoral and leadership behavior. Shrinking nuclear families could produce youth who are more achievement-oriented yet also less sociable; shrinking extended families could pose a challenge to communities. Ongoing immigration and higher-than-average minority fertility may trigger inter-ethnic friction and diaspora politics in many countries. Senior control over taxes and benefits will become increasingly controversial, perhaps pitting more secular native-born elders against more religious young families (both native and ethnic minority).

- *In the countries of the developing world, the transformation will have a more varied spectrum of consequences, depending on the region and demographic trajectory.*

At the opportunity end, some developing countries will learn to translate the “demographic dividend” of their declining fertility rate into human and capital development, efficient and open markets, rising incomes and living standards, and stable democratic institutions. Some will follow the meteoric success path of a South Korea or Taiwan, others the slower-but-still-steady success path of an India or Malaysia.

A larger share of the developing world, unfortunately, stands nearer to the challenge end. There are the countries (most notably, in sub-Saharan Africa) least touched by global aging, whose large youth bulges, high poverty, weak governments, and chronic civil unrest offer the least prospect of success. There are the countries (in the Arab world and parts of South Asia) where population growth is declining and substantial economic growth is more likely—but where terrorism and dangerously destructive revolutions and wars are also more likely. And then there are the countries whose demographic transformation will be so extreme (Russia) or is arriving so rapidly (China) that population change itself could become a critical social and political issue. Russia, the Ukraine, and the other Christian CIS countries, afflicted both by very low fertility and declining life expectancy, are projected to lose an astonishing one-third of their population by 2050. China, having suddenly adopted a “one-child policy” in the 1970s, will face a developed country’s level of elder dependency with only a developing country’s income.

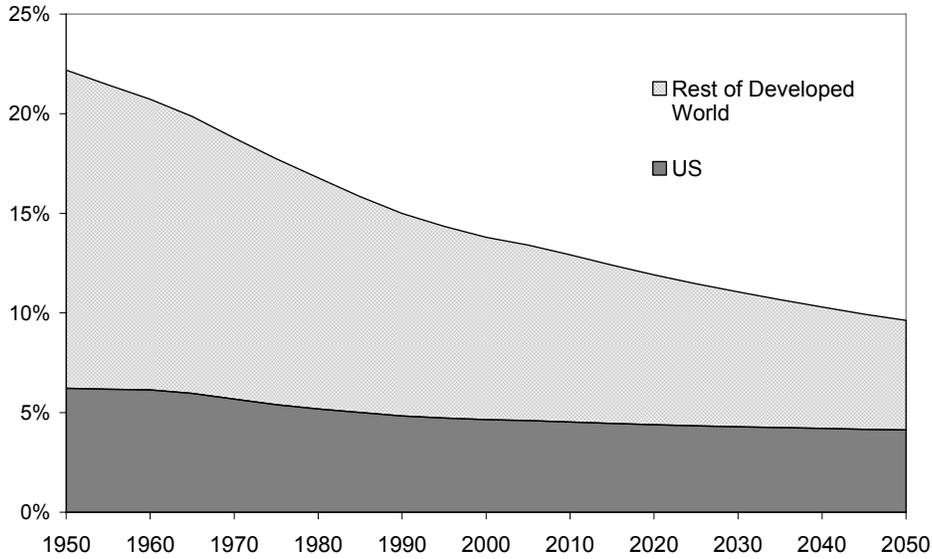
MAJOR FINDINGS: THE GEOPOLITICAL IMPLICATIONS

- *The population and GDP of the developed world will steadily shrink as a share of the world’s total. In tandem, the global influence of the developed world will likely decline.*

During the era of the Industrial Revolution and Western imperial expansion, the population of today’s developed nations (mainly Western Europe, Britain, its former colonies, and Japan) grew faster than the rest of the world’s population. From about 17 percent in 1820, their share of the world’s population grew steadily and peaked at about 25 percent in 1930. Since then, their share has declined. By 2005, it stood at just 13 percent,

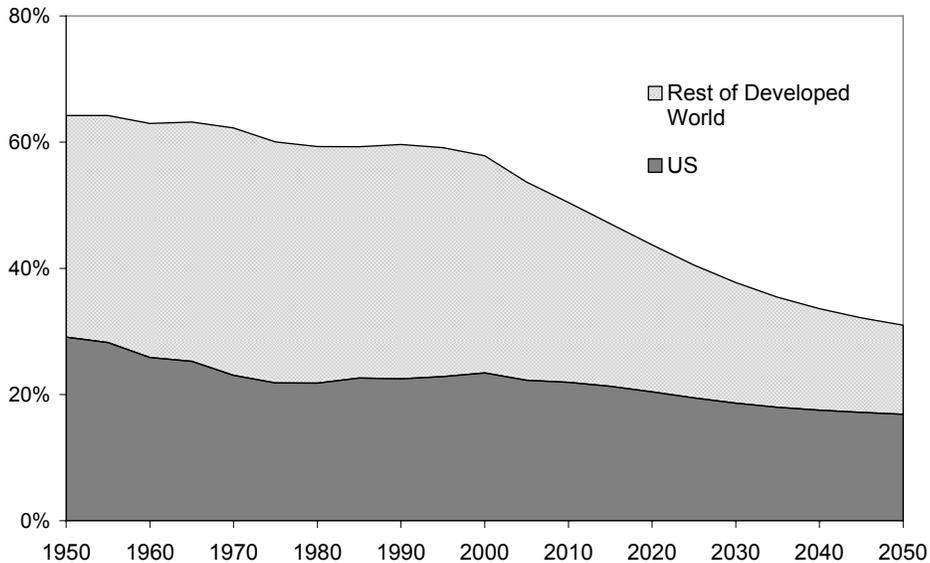
and it is projected to decline still further to below 10 percent by 2050. (See Figure 3.) As a share of the world economy, the collective GDP of the developed countries will similarly shrink, from 54 percent in 2005 (in purchasing power parity dollars) to just under 50 percent by 2015 and to 31 percent by 2050. Driving this decline will be not just the slower growth of the developed world, but the surging expansion of such large, newly market-oriented economies as China, India, and Brazil. (See Figure 4.)

Figure 3: Developed World Population, as a Share of World Total, 1950-2050



Source: *World Population Prospects* (UN, 2007).

Figure 4: Developed World GDP (in 2005 PPP Dollars), as a Share of World Total, 1950-2050



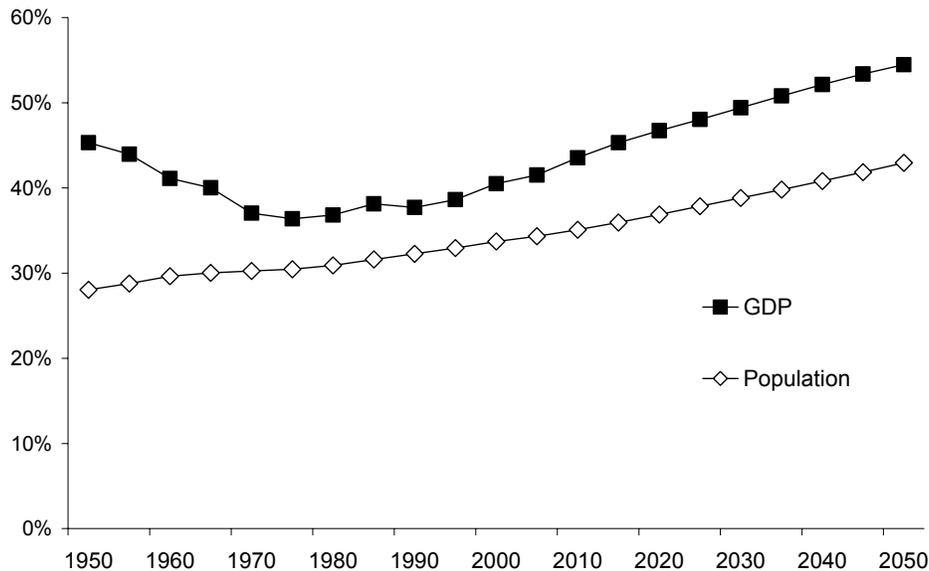
Source: Authors' calculations. See "Global GDP Projection Model" in Appendix 1.

Implications: In the years to come, developed-world security alliances will need to fortify their global position by bringing powerful new members into their ranks as equal partners. They will also have to watch out for powerful new competitors, acting singly or in concert, who may want to challenge the existing global order. By 2050, the very term “developed nations” is likely to encompass several gigantic new economies. Today’s long-term security planners need to prepare accordingly.

- *The population and GDP of the United States will steadily expand as a share of the developed world’s total. In tandem, the influence of the United States in the developed world will likely rise.*

Over the last two centuries, the U.S. share of the developed world’s population has risen almost continuously, from a mere 6 percent in 1820 to 34 percent today. Due to higher rates of fertility and immigration, the U.S. share will continue to grow in the future—to 43 percent by 2050. (See Figure 5.) By then, 58 percent of the developed world’s population will live in English-speaking countries, up from 42 percent in 1950. The U.S. economic position will improve even more dramatically. As recently as the early 1980s, the GDPs of Western Europe and the United States (again, in purchasing power parity dollars) were about the same, each at 37 percent of total developed-world GDP. By 2050, the U.S. share will rise to 54 percent and the Western European share will shrink to 23 percent. The Japanese share will meanwhile decline from 14 percent to 8 percent. By the mid-twenty-first century, the dominant strength of the U.S. economy in the developed world will have only one historical parallel: the immediate aftermath of World War II, exactly 100 years earlier, at the birth of the “Pax Americana.”

Figure 5: U.S. Population and GDP (in 2005 PPP Dollars), as a Share of Developed World Total, 1950-2050



Source: Authors' calculations. See "Global GDP Projection Model" in Appendix 1.

Implications: Many of today’s multilateral theorists look forward to a global order in which the U.S. influence diminishes. In fact, any reasonable demographic projection points to a growing U.S. dominance among the developed nations that preside over this global order. The United States is the only developed nation whose population ranking among all nations—third—will remain unchanged from 1950 to 2050. Every other developed nation will drop off the radar screen. (See Figure 6.) The United States is also the only developed economy whose aggregate economic size will nearly keep pace with that of the entire world’s economy.

Figure 6: 12 Largest Countries Ranked by Population*

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

*Developed countries are in boldface; future rankings for developed countries projected to fall beneath 12th place are indicated in the parentheses.
Source: *World Population Prospects* (UN, 2007).

- *Most nations in sub-Saharan Africa and some nations in the Arab world and non-Arab Muslim Asia will possess large ongoing youth bulges that could render many of them chronically unstable until at least the 2030s.*

Political demographers generally define a “youth bulge” as the ratio of youth aged 15 to 24 to all adults aged 15 and over. As the youth bulge rises, so does the likelihood of civil unrest, revolution, and war; and when the youth bulge exceeds 35 percent, the likelihood grows explosive. In today’s sub-Saharan Africa, burdened by the world’s highest fertility rates and ravaged by AIDS (which decimates the ranks of older adults), the *average* youth bulge is 36 percent. Several Muslim-majority nations (both Arab and non-Arab) have youth bulges of similar size. These include Iraq, Syria, the Palestinian Territories, Somalia, Sudan, Yemen, and Afghanistan. In recent years, most of these African and Asian nations have amply demonstrated the correlation between extreme youth and violence. If the correlation endures, chronic unrest could persist in most of these countries through the 2030s.

Implications: While all of these countries will likely remain “trouble spots” for decades to come, most of the trouble will not have geopolitical repercussions—except when it involves terrorism or interferes with the flow of important natural resources. Upon occasion, developed countries will intervene either for humanitarian purposes (stopping genocide, alleviating natural disasters), or to prevent violence from spreading across national borders. Even modest development assistance, especially in public health, may help some of these nations break the cycle of high fertility and high poverty.

- *Many nations in North Africa, the Middle East, South and East Asia, and the former Soviet bloc—including China, Russia, Iran, and Pakistan—are now experiencing a rapid or extreme demographic transition that could push them toward civil collapse, or (in reaction) toward “neo-authoritarianism.”*

Some of these nations have buoyantly growing economies, others not. Some have a recent history of political upheaval, others not. Yet all are fast-modernizing—and all are encountering mounting social stress from some combination of globalization, urbanization, rising inequality, family breakdown, environmental damage, ethnic conflict, and religious radicalism. China faces the extra challenge of handling a vast tide of elder dependents come the 2020s when it will just be becoming a middle-income country. Russia needs to cope with a rate of population decline that literally has no historical precedent in the absence of pandemic. Any of these countries could, at some point, suffer upheaval and collapse—with grim regional (and perhaps even global) repercussions. In response to the threat of disorder, many will be tempted to opt for neo-authoritarian regimes (following the current lead of China or Russia).

Implications: While these fast-transitioning countries may experience less chronic violence than the large youth-bulge countries, the crises they do experience will tend to be more serious. Their economies are more productive, their governments are better financed, their militaries are better armed, and their rival factions better organized. Several have nuclear weapons. Many stand on the knife-edge between civil chaos and one-party autocracy. In their economic and demographic development, most have entered the phase of maximum danger and must therefore be watched closely.

- *Ethnic and religious conflict will continue to be a growing security challenge both in the developing and developed world.*

Over the last 20 years, ethnic conflict in the developing countries has been on the rise—due to the reemergence of ethnic loyalties suppressed during the Cold War and to the rise of electoral democracies that enable ethnic groups to vie against each other at the ballot box. Globalization may also inflame ethnic resentment by enriching some groups at the expense of others. In many developed countries, ethnic tensions are being inflamed by the rapid growth in immigrant minorities as a share of the population. All of these trends can be expected to continue in the decades to come. Intensifying religious conflict can be inferred from the following fact: Fully two-thirds of the world’s population growth between now and 2050 is projected to occur in exactly those regions—sub-Saharan Africa, the Arab world, non-Arab Muslim Asia, and India and South Asia—where religious conflict (between and among Muslims, Christians, Jews, and Hindus) is already a serious problem. And within those regions, the disproportionate fertility of devout families will ensure that younger generations will be, if anything, more committed to their faiths.

Implications: In a rapidly modernizing world, the appeal of ethnic and religious loyalty will remain powerful. The developed world needs to demonstrate that it respects this loyalty while at the same time defending pluralism and taking a hard line against aggressors who harness zealotry for destructive ends. It will help greatly if the developed countries are able to demonstrate, within their own borders, that the assimilation of ethnic and religious minorities really does work. Given its track record of relative success, the United States will need to take the lead in this effort.

- *Throughout the world, the 2020s will likely emerge as a decade of maximum geopolitical danger.*

In the developed world, the 2020s is the decade in which demographic aging hits the fastest. Workforces will practically stop growing almost everywhere—and begin to shrink rapidly in much of Western Europe and Japan. As they do, economic growth will slow. The number of elderly per 100 workers will surge from 34 to 42, with especially large jumps in countries (like the United States) that had large postwar baby booms. Some governments may experience a fiscal crisis. Meanwhile, in the developing world, new demographic stresses will appear. Many Muslim-majority countries (both Arab and non-Arab) along with some Latin American countries will experience a temporary resurgence in the number of young people in the 2020s. This youth echo-boom (a 30 percent jump in the number of 15 to 24 year-olds in Iran) may rock regimes. The countries of the Russian sphere and Eastern Europe will enter their decade of fastest workforce decline, even as China, by 2025, finally surpasses the United States in total GDP (in purchasing power parity dollars). Yet China will face its own aging challenge by the 2020s, when its last large generation, born in the 1960s, begins to retire.

Implications: Security planners must keep in mind that demographic change is nonlinear. The 2020s promise to be a decade in which breaking population trends come to play an important role in world affairs. According to “power transition” theories of global conflict, China’s expected displacement of the United States as the world’s largest economy during the 2020s could be particularly significant. By 2025, China’s economy will also be four times larger than Japan’s and three times larger than India’s. At the same time, however, China will be grappling with a sudden rise in its aging burden and a sudden decline in its workforce. The net outcome is uncertain.

- *The aging developed countries will face chronic shortages in young-adult manpower—posing challenges both for their economies and their security forces.*

As the developed world ages, domestic youth shortages will create powerful economic incentives to encourage immigration and trade and to create new types of global “offshore” service businesses. Political opposition from older electorates is certain. With the number of service-age youth flat or declining in most countries (especially in the rural subcultures that have traditionally supplied military recruits), militaries will be hard-pressed to maintain force levels—especially if smaller native families are less willing to put their own children in harm’s way. Militaries will need to resort to creative expedients. They will outsource all non-vital functions. They will try substituting high-tech capital (robotics and unmanned craft) for labor. They may offer citizenship for service, hire overseas combatants (in effect, mercenaries) directly, or enter service alliances with friendly developing-country allies.

Implications: Many developed countries will be tempted to abandon military forces altogether, especially forces capable of large-scale combat, which will render them permanent free-riders on their allies. Countries retaining major forces, the United States foremost among them, will need to evaluate carefully the benefits against the high costs of labor-intensive security activities (such as occupation, nation-building, and counter-insurgency). Informal burden-sharing may give way to a more formal assessment of global levies—or to alliance-shattering declarations of isolationism or neutrality.

- *An aging developed world may lose its reputation for innovation and boldness—and struggle to remain culturally attractive and politically relevant to younger societies.*

Today’s liberal and democratic global order owes its durability not only to the developed countries’ capacity to defend it against aggressors, but more importantly to the positive global reputation of the developed countries themselves. Their mores and institutions embody this order. This is sometimes called the “soft power” of liberal democracy, which has widespread support both as a way of life and as a force in global affairs. All this may change if, as the developed world’s populations age, they are no longer regarded as progressive advocates for the future of all peoples, but rather as mere elder defenders of their own privileged hegemony. Illiberal “neo-authoritarian” regimes might then be able to win popularity as better advocates for rising generations. Ominously, history affords few (if any) examples of an aging civilization in demographic decline that has managed to preserve its global reputation and influence.

Implications. The consequences of the coming demographic transformation cannot be calibrated in mere population, productivity, or GDP numbers. The most important consequences may lie in the realm of culture and perception. By making full assimilation of immigrants work at home and by seeking out helpful relationships with younger national allies abroad, the developed countries may yet keep their liberal and democratic ideas fresh in the eyes of the world. If, on the other hand, the twenty-first century comes to be seen as the old, complacent, infertile “them” versus the young, aspiring, fertile “us,” the challenge facing the developed world will be much more difficult.

A FRAMEWORK FOR POLICY ACTION

Meeting the challenge of global aging will require strategic policy responses in four broad areas: (1) responses that slow demographic aging itself, and thus alter the fundamental demographic constraints on the geopolitical stature of the developed countries; (2) responses that maximize economic growth and efficiency, and thus mitigate the negative impact of any given degree of aging; (3) responses that adapt diplomacy and strategic alliances to the emerging geopolitical landscape of the twenty-first century; and (4) responses that adapt defense posture and military strategy to the new demographic realities.

Demographic Policy

- *Reward families for having children.* Although pronatal benefits alone are unlikely to have much impact on fertility, they may be effective as part of a comprehensive pronatal strategy that includes broader economic and labor-market reforms. To strengthen the pronatal tilt of existing benefit policies, developed-country governments could increase

the size of per capita cash payments (or tax breaks) along with each child that a family has (as France does). They should also consider building new pronatal incentives into social insurance systems—either by linking payroll taxes (on the contributor side) or benefit payouts (on the beneficiary side) to the number of children people have.

- *Help women balance jobs and children.* Policies that help women (and men) balance jobs and children are the lynchpin of any effective pronatal strategy. Countries with low fertility rates and low rates of female labor-force participation will need to expand part-time work options, allow for flexible work hours, and provide for affordable daycare and adequate parental leave. More broadly, all countries will need to encourage flexible career patterns that allow parents to move in and out of employment to accommodate the cycles of family life.
- *Improve the economic prospects of young families.* In the end, no pronatal strategy will succeed unless governments also pursue broader reforms that improve the economic prospects of young families. One large impediment to family formation in the developed countries is the rising burden of intergenerational transfers from young to old. Two-tier labor markets are another. Reforms in both of these areas will have to be an integral part of any pronatal strategy.
- *Leverage immigration more effectively.* At least to some extent, higher rates of immigration can substitute for higher fertility rates. The faster that immigrants can be assimilated into the mainstream of society, the higher the immigration rate can be without triggering social and political backlash. Developed countries without a tradition of assimilating immigrants will need to study best practices around the world, especially in the United States, Canada, and Australia.

Economic Policy

- *Reduce the projected cost of old-age benefits.* Any overall strategy to minimize the adverse economic impact of demographic aging must begin by reducing the rising cost of pay-as-you-go old-age benefit programs. There are many possible approaches. For pensions, governments can raise eligibility ages, “means-test” benefits, or introduce “demographic stabilizers” that directly index benefits to changes in the old-age dependency ratio. For health benefits, they can control costs by implementing a “global budget cap” for health spending and by researching and mandating best-practice standards.
- *Increase funded retirement savings.* As governments scale back pay-as-you-go benefits, they need to ensure that funded private pension savings fills the gap. Experience teaches that mandatory systems are far more effective at increasing savings and ensuring income adequacy than voluntary systems.
- *Encourage longer work lives.* Along with reducing fiscal burdens, aging societies need to increase workforce growth. Encouraging longer work lives will be crucial. The developed countries will need to raise eligibility ages for public pensions, revise policies (like seniority pay scales) that make older workers costly to hire or retain, encourage lifelong learning, and develop “flexible retirement” arrangements of all kinds.
- *Enable more young people to work.* While more older workers will help, younger workers have their own indispensable qualities. Governments, especially in Europe, will need to

overhaul two-tier labor markets that lock in high levels of youth unemployment. Meanwhile, countries with low female labor-force participation must make it easier for women to balance jobs and family. With the right mix of policies, countries can have both higher female labor-force participation and higher fertility.

- *Maximize the advantages of trade.* Trade allows aging societies to benefit from labor in younger and faster-growing societies without the social costs of immigration. As technology increases the tradable share of the services economy, the potential for trade to raise living standards will grow. Yet so too will resistance to “outsourcing” on the part of aging workforces and electorates. Governments will need to pay special attention to developing policies that mitigate the adjustment costs.
- *Raise national savings.* Only adequate national savings can ensure adequate investment without the dangers of large and chronic current account deficits. Governments in aging societies will have to implement a comprehensive pro-savings agenda that includes everything from tax reform to entitlement reform.

Diplomacy and Strategic Alliances

- *Expand the developed-world club.* The future security of today’s developed countries will increasingly depend on their success at building enduring strategic alliances with younger and faster-growing developing countries that share their liberal democratic values. The only way to keep the developed world’s relative demographic, economic, and geopolitical stature from declining in the twenty-first century is to expand the membership of the developed–world club itself.
- *Prepare for a larger U.S. role.* As the population and economy of the United States grow relative to the rest of the developed world, so too will its role in security alliances. Leaders in the United States, Europe, and Japan need to acknowledge and prepare for this reality, while seeking ways to strengthen multilateralism.
- *Invest in development assistance.* Most of the countries of the developing world over the next few decades will be subject to enormous stresses from rapid demographic, economic, and social change. To help prevent these stresses from erupting into security threats, the developed countries need to develop long-term and cost-effective strategies of development aid and state-building assistance. A large investment could yield important results, but it may not be affordable unless the developed countries manage to control the rising cost of old-age benefits.
- *Remain vigilant to the threat of neo-authoritarianism.* As the demographic transition progresses and the stresses of development increase, the appeal of the neo-authoritarian model is likely to grow in many parts of the developing world. The developed countries must remain vigilant to the threat, continually monitor risks, and develop strategies to steer countries in the direction of liberal democracy.
- *Preserve and enhance soft power.* The developed countries now exercise enormous “soft power” throughout the world. To preserve and enhance it, they must make sure that they remain champions of the young and the aspiring—both at home and abroad. If domestically they persist in tilting the economy toward the old, and if internationally they are unwilling to commit substantial resources to helping young nations, the global appeal of their values and ideals will diminish.

Defense Posture and Military Strategy

- *Prepare for growing casualty aversion.* Defense planners must realize that youth will be considered a treasured asset in aging societies. Developing effective communication strategies to persuade the public that military actions which put youth at risk are justified will need to become an integral part of the planning process.
- *Substitute military technology for manpower.* Developed-country militaries, of course, are already doing a lot of this, and they will need to do even more of it in the future. Substituting technology for manpower, however, is a strategy with limitations. Manpower will always be needed—for occupation and pacification, for nation-building, and, in the event it happens, for large-sale conventional war.
- *Substitute nonnative for native manpower.* As recruitment pools shrink, the developed countries will increasingly need to substitute nonnative for native manpower. The challenge will be to minimize the risks associated with this strategy. The worst approach is to hire freelance mercenaries (whether foreign or domestic). The best may be to offer immigrants citizenship in return for service—perhaps, as military historian Max Boot suggests, even recruiting potential immigrants abroad.
- *Create “service alliances” with loyal developing countries.* Another way to substitute nonnative for native manpower is to create “service alliances” with loyal developing-country allies that are willing to supply troops in exchange for aid or technology. Developed-country militaries would need to train and equip the troops to developed-country standards.
- *Adapt weapons, training, and force structure.* Demographic trends will influence both the types of locales in which militaries will be called on to fight and the types of missions they will be called on to execute. Warfare will be increasingly urban; nation-building will be as important as battlefield victory; and expertise in “exotic” languages and familiarity with foreign cultures will be essential. Weapons, training, and force structure must be adapted accordingly. It may make sense to develop a special nation-building force—or what geostrategist Thomas Barnett calls a SysAdmin Force.

In the decades to come, the world will witness a sweeping demographic transformation never before seen in history. The rapid aging of today’s developed countries threatens to undermine their ability to maintain national and global security—even as demographic trends in the developing world will give rise to serious new threats. Meeting the challenge will require discipline, leadership and a wide-ranging and long-term agenda.

To the extent that it can, the developed world should try to modify the demographic outcome through family formation and immigration policies that are consistent with its deeply held liberal democratic values. As the transformation proceeds, it will need to take special care to enhance and preserve the performance of its economies—by making sure that they remain flexible, open to new innovations, and generate enough savings to ensure a future of rising living standards for younger generations. In its dealings with the rest of the world, the developed world will need to be forward-looking and open to the membership of new societies that share its basic values—as well as vigilant about countries that may respond to rapid demographic change in authoritarian ways. As always, the security and authority of the developed world will depend on its ability to defend itself. This will require creative solutions if it is to protect its scarce youth from needless risks,

while filling a broader range of likely missions. Here too, part of the solution will be to build relationships with younger societies willing to join us as allies.

Well into the twenty-first century, the United States will be fated by demography to be a leader. It will not only have to continue shouldering the level of global responsibility that it has in recent decades, but in all likelihood will have to assume even greater responsibility. In a world of graying great powers, the United States will be even more indispensable.