



## Panel 7. Changing Demography in a Global Economy

Most economic developments are hard to predict. Considerable uncertainty surrounds forecasts for output growth, inflation, and unemployment a year from now, for instance. But demographic developments are different in this respect<sup>1</sup>. Today the theories of Malthus appear to be happening in reverse. As economic prosperity has risen around the world, fertility rates have fallen (and large gains in life expectancy have been made), resulting in slower population growth and aging. Current demographic changes are unprecedented. After remaining broadly constant for centuries, the age structure of the world's population is now changing dramatically. Population growth is also slowing, following rapid growth in the second half of the twentieth century.

Given the decreases in the fertility rates and the increases in life expectancy already occurring in most industrial countries, we can be quite certain that the population will age rapidly in the coming decades. As a result, the ratio of the population aged 65 and over to the population of working age will likely rise sharply.

European countries have faced a major demographic change and transition in the last year, and today this issue is more current than ever. Long-term downwards in fertility is leading to demographic ageing. A great number of societal problems derive from this demographic transition. The International Monetary Fund (2004) argues that the impact of upcoming demographic changes on economical growth could be substantial.

The historic association between demographic and macro-economic variables suggests that the projected increase in elderly dependency ratio and the

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<sup>1</sup> Little, J.S, Triest, R.K. – *Seismic shift: the economic impact of demographic change. An Overview*,



projected decline in the share of the working-age population could result into a slower per capita GDP growth, as well as lower savings and investment<sup>2</sup>.

In this context, it could be interesting to explore how demographic changes affect the global economy and to examine the impact of the public policies on the population trends. At the same time, the rapid economic and social transition in the former communist countries has undoubtedly caused the collapse in the fertility rate.

The developed world workforce will start to decline in the next years, threatening the future global growth.<sup>3</sup>

We expect to receive quality papers that explore the implications of the demography changes on global, regional and national economy. Also, we encourage debates on how population ageing will influence the economy and society in the next coming years.

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<sup>2</sup> IMF, 2004, p.147

<sup>3</sup> Greg Ip – How Demographics rule the Global Economy, article , <http://www.wsj.com/>