1 Introduction

In 2018, for the first time, the world was home to more people aged over 64 than under 5 (World Bank 2019). This shift is disproportionately reflected in global gross domestic product (GDP), more than 80% of which is now generated in countries with ageing populations (World Bank 2019). The underlying ageing trend, moreover, is accelerating (Lutz et al. 2008). Within demography, a population is described as “ageing” when one of three standard thresholds is crossed. The first threshold is a senior population share (those aged above 64 years) of 7% or higher; the second, a child population share (aged below 15 years) of 14% or lower; the third, a ratio of senior to child population share of more than 30%. By child share, the indicator of the three that is typically first to cross the “ageing” threshold, already some three-quarters of countries are now “ageing” (see Johnston 2019a, Appendix 1).

The older a population, the longer their average person’s lifespan. The longer the average person’s lifespan, the earlier a technological reference point the average person has. For example, a large share of Japan’s famously aged population has memory of life without the Internet, where in “younger” India a much higher share of today’s population has been raised in the Internet age.

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Hence, it is argued, “Old Japan, with its old thinking and old way of doing things, is the crux of Japan’s political crisis” (Hewitt 2003, 1). In countries and sub-regions where the older part of the population is disproportionately dominant politically and economically—which includes Japan’s post-war generation—ageing effects on the economy and society risk being magnified. With this in mind, a new and unprecedented international economic demography has developed only relatively recently (see Bloom et al. 2015).

Transition economies, understood as those moving from a centrally planned to a market-based economy, are no exception, and the majority of them now classify as “ageing” (see Table 26.3).¹ On average, however, compared with established market economies, population ageing in transition economies has taken place at low per capita incomes (see Johnston et al. 2016). Despite that potential additional development hurdle, among transition economies only in the Chinese case has there been a consistent and sustained level of policy attention paid to the potential ramifications for economic development of being “first old, not rich” (see Johnston 2019a). This has produced a uniquely vibrant literature and policy discourse on the interaction of economics and demography (e.g. Wu 1980, 1986; Cai 2004; Cai and Wang 2006; Cai et al. 2018; Jiang et al. 2018). It would be useful if this literature were better understood by transition economy policymakers.

This chapter elaborates China’s unique, and uniquely relevant, set of economic demography circumstances, and the related literature, as a reference for the demographic challenge faced by other transition economies. It begins by elaborating China’s unique population and economic planning from 1980. It then outlines the policy-relevant frameworks of the economic demography matrix (EDM) and economic demography transition (EDT), both of which have been extrapolated from China’s approach. These concepts are then applied to the transition economies of Central and Eastern Europe. Finally, policy suggestions for navigating the potential problems linked to population ageing are offered. The contribution of this chapter is therefore to the literature on transition economies and on EDT.

¹In this chapter, transition economies at the national level include the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Lithuania, Macedonia, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. China is also considered a transition economy, but is a special case in terms of reform process.
2 China’s One-Child Policy and Demographic Dividend Plan, and Associated Concerns

In the late 1970s China found itself emerging from some decades of political instability and autarky, as well as two centuries of “national humiliation”. The “reform and opening” agenda that was launched in December 1978 by Deng Xiaoping was intended to realise lasting national social and economic modernisation. Two important “centennial” goals formed a broader political backdrop to this. According to the first, set for by 2021, the hundredth anniversary of the founding of the Chinese Communist Party, all Chinese were to enjoy at least moderate prosperity. By the second, with a target date of 2045, the hundredth anniversary of the founding of the People’s Republic of China, China was to be an all-round modern state. In this way, it would reclaim its earlier position in the world economy.

In late 1978, China was not only poor in terms of income per capita, but also demographically “young”: the median age was around 21.9 years (UN estimates 2019). From a peak of more than six children per woman in the mid-1960s, in 1980 the total fertility rate (TFR) had fallen to 2.65 per woman (Fig. 26.1). China’s TFR was, however, still above the replacement level of 2.1 children per woman. Consequently, China would need to generate high rates of growth to achieve the intended per capita increases in income and welfare that would help to realise its longer-term modernisation aims.2

Renmin University demographer Wu (1980) noted that “the greatest obstacle to production and income per capita growth is population growth” (Wu 1980, 38), a logic consistent with the Solow growth model. In 1980 the Open Letter to All Members of the Communist Party and Communist Youth League—on the Issue of Controlling the Population Growth marked the start of the incremental implementation of a “One-Child-Per-Couple” policy (see Jiang et al. 2013). The aim was not only to reduce population-related pressures, but also to utilise the ensuing process of demographic transition to facilitate modernisation.

By making China’s population trends more predictable, the One-Child Policy to some extent also fixed China’s demographic dividend period.3 The demographic dividend is a transitory elevation of growth potential that results from a rise in the share of the working-age population. This rising share of working-age population (Fig. 26.2) itself follows falling fertility (Fig. 26.1)

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2 Given skewed birth rates in favour of males, the replacement rate may be slightly higher in China’s case.
3 See Feng, W., Cai, Y., & Gu, B. (2013) for debate on the legacy of the One-China Policy.
Fig. 26.1 Total fertility rate (births/woman). The TFR is the average number of children a hypothetical cohort of women would have at the end of their reproductive period if they were subject throughout their lives to the fertility rates of a given period and were not subject to mortality. It is expressed as children per woman (World Health Organisation (WHO) 2019). China’s TFR has now stabilised at around 1.6, which is below the replacement level of 2.1. (Source: World Bank, *World Development Indicators* (2019a))

Fig. 26.2 Workforce-aged population share (%). For implicit international comparability, World Bank data is presented. In China, however, the retirement age is 60 years for men and lower for women, inferring that China’s actual workforce population share may be lower than presented.

and morbidity rates of the demographic transition process that these endogenously define. However, the demographic dividend lies specifically in the potential of the temporary increase in working-age population share to itself increase total productivity and national output. China experienced a 42-year
demographic dividend, from 1972 to 2014. This is estimated to have boosted growth by as much as 1.4% annually (see Mason et al. (2017) and Cai et al. (2018)).

A working-age population boom eventually fades, however, as the larger population cohort moves into retirement and is replaced by a proportionately smaller working-age cohort. The underlying demographic transformation in China’s case is captured visually in the contrast between the population pyramids in the early phase in 1980 (Fig. 26.3) and in late phase in 2015 (Fig. 26.4). Between these years, China’s workforce as a share of the population peaked around 2011 (Fig. 26.2). China’s median population age rose from 21.9 years when the modernisation agenda began in 1980, to some 38.4 years in 2020 (UN estimates 2019). That is to say, instead of being rich in low-wage, prime-age workers as it was four decades ago, China now has a shrinking workforce and a rapidly rising pensioner population.

For countries that are both poor and young, like China in the late 1970s, the demographic dividend period offers added potential for rapid development. If the dividend coincides with circumstances enabling waves of low-wage, largely rural workers to transfer to the industrial sector, this can produce sustained and rapid gains in productivity and income through the period of dividend, a process captured by the Nobel Prize-winning Lewis Model (Lewis 1954). Capturing the dividend for development is not automatic, however.

China’s policymakers understood the transitory potential of its hundreds of millions of low-wage workers to power national modernisation, implementing a policy agenda to capture that potential (see Cai (2010) for associated

![Fig. 26.3 Population pyramid of China, 1980](image)
policies). One example is the incentive offered to foreign investors for labour-intensive export-oriented manufacturing investments in economic zones along China’s coast from the mid-1980s. In turn, this opened the door for millions of rural labourers to relocate to cities and coastal regions to work in the resulting factories (see Cai 2010). Given China’s demographic scale, this explains how and why the country became the world’s factory from the 1990s onward.

Following a period of demographic dividend, however, comes a period of intensifying population ageing. If new sources of growth are not identified, the resulting relatively high share of elderly dependents dampens the economic growth rate directly by reducing the per capita labour supply and production growth. This goes some way to explaining an element of China’s recent growth deceleration, from some 30 years of growth around 10% per year to about 6% more recently, alongside sluggish growth in many high-income countries—most famously, Japan, which has seen its workforce population share falling since the mid-1990s.

In China’s case, since demographic transition was officially induced by the One-Child Policy, which formed part of a much broader national development agenda, Chinese planners were attuned from the 1980s to the fact that they should be ready for the onset of population ageing. In an important contribution to China’s economic demography literature, Wu (1986) reached the conclusion that unusually rapid declines in the fertility rate at low per capita income levels meant that China would ultimately “get old before it became rich”. In economics, this can also be understood via a more static economic demography combination of “not rich, (first) old” (未富先老) (Johnston 2019).

Fig. 26.4  Population pyramid of China, 2015
A fear at that time in China was that for given total fertility rate projections there was no feasible growth rate at which China could become a high per capita income country before reaching the more advanced phase of demographic transition, population ageing. Hence, China’s fate was to be “not rich, first old”. Fear that this might also mean that China would never become rich opened a door to a vibrant economic demography literature that is especially relevant to transition economies.

Like China, today’s relatively developed transition economies were a frontier of population ageing at relatively low per capita incomes (see Jiang et al. 2018). Indeed, when Slovenia joined the high per capita income group in 1997, it became the world’s first country to get rich after getting old. In its footsteps, since 2006, the Czech Republic, Estonia, Hungary, Slovak Republic, Latvia, Poland and Croatia have also joined the high-income per capita group. Conversely, Bulgaria, Romania, Serbia, Bosnia and Herzegovina, Macedonia, Montenegro, Albania, Kosovo, Ukraine, Georgia, Belarus, Russia, Moldova, Armenia and Kazakhstan are among the transition economies studied here that are demographically old, but not rich (Table 26.3).

In other words, within and across transition economies, demographic change and economic growth are taking place at different speeds. It may be useful, even important, not only that the region’s policymakers become more aware of these developments and their consequences, but also that they learn from them. Moreover, from this could be drawn lessons for “younger” developing countries that are likely in future to be “not rich, first old” themselves. Section 3 below explores the economic logic underpinning China’s fear of “premature ageing”, which sheds light on some of the issues that may be affecting transition economies that are “poor-old” today, alongside those that are presently “poor-young” in a probable “poor-old” future.

3 The Economic Logic of China’s “Getting Old Before Getting Rich” Concern

Chinese policymakers’ concern from the mid-1980s about becoming “not rich, first old” is more commonly understood as “getting old before getting rich”. From an economic point of view, it can be understood as the prospect of a fall in labour supply and production growth eliminating the demographic

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4 Bulgaria and Romania are the only two members of the EU that have per capita income levels below the high-income threshold (EU Observer 2018).
dividend element of China’s growth rate, implying lower rates of new resource generation for realising the goal of modernisation. Moreover, the transition to new advanced sources of growth itself would be challenging.

Further, an enlarged elderly population share would re-direct financial and human resources towards caring responsibilities—and so away from the (not yet completed) process of national development. In addition, the rapid speed with which China would eventually age (see Fig. 26.4) might also mean that China would not be able to prepare adequately to provide for the needs of its elderly. Lastly, a falling working-age population would instigate a shortage of labour that would put upward pressure on wages. In a development context, it was feared that China would experience disproportionate wage inflation without having reached a parallel technological competitiveness at the international level in more capital-intensive industries.

Drawing such challenges together led to fears that China would ultimately never reach the economic frontier. As Wu (1986, 37) put it, China would suffer an “advanced country disease” (population ageing) as a developing country. This might hinder or even halt its modernisation prospects. Worse, it was thought that China’s experience of premature ageing was unique, since other East Asian countries, such as Japan, South Korea, Taiwan, Hong Kong and Singapore, had become advanced economies while their demography was still youthful. Although China used these economies as developmental reference points, the country was alone on its economic demography trajectory and would have to find its own path.

By definition, if Japan, South Korea, Taiwan, Hong Kong and Singapore all went straight from being “poor and young” to “rich and young” (and only more recently to “rich and old”), this implies four fundamental economic demography categories: poor-young, poor-old, rich-young and rich-old. Together these form the economic demography matrix (EDM; Table 26.1). Movement of a country within and between these quadrants reflects change in that country’s economic demography transition (EDT). The EDT embodies concurrent and interrelated change in the demographic transition (movement between the “young” and “old” EDM quadrants) and from economic development (movement between the “poor” and “rich” quadrants). In this framework, the relative speed and direction of demographic and economic change help to determine whether a country becomes old before or after becoming rich. This in turn shapes the ways in which the older cohort itself shapes the economy (see for example Johnson and Zimmermann 2008; Johnston 2012).

In this context, thanks to a number of changes, including the wider and more affordable access to birth-control technologies, in the later years of the
In the language of Table 26.1, what 1980s policymakers in China realised was that China, starting from the poor-young quadrant, would first move right to the poor-old quadrant. Given the absence of regional precedent for moving to a “rich” quadrant from the poor-old quadrant, Chinese policymakers took earnestly China’s “first old, not rich” fear. In retrospect, it may be argued that this fear and foresight about China’s unique EDT circumstances around the One-Child Policy was responsible for instigating a unique approach to development—the EDT strategy approach (see Johnston 2019a). This approach is the topic of Sect. 4.

4 China’s EDT Approach to National Development

In response to their “old before rich” fears, China’s policymakers appear to have devised an economic strategy that is broadly complementary to rapid demographic transition. This dual strategy started in the early 1980s and can

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Table 26.1 The economic demography matrix

| Economic transition | Demographic transition | Lateb |
|---------------------|------------------------|-------|
| High income per capitaa | Rich and young | Rich and old |
| Low and middle income per capita | Poor and young | Poor and old |

Sources: Johnston et al. (2016), Johnston (2018)
aThe World Bank considers a nation with a per capita income exceeding US$12,055 (2017, Atlas method) as a high per capita income country (World Bank 2018)
bIn demography, when a nation’s population share of people aged 65 rises above 7%, it is considered to have entered a population ageing phase

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itself be simplified into two tiers (see Johnston 2019c). The first tier required the development and implementation of policies to capture for national development the opportunities offered by China’s expected multi-decade demographic dividend. The second tier required advanced preparation for the inevitable onset on rapid population ageing, including by achieving success in the first tier.

4.1 The First Tier: Expeditious Capture of the Demographic Dividend

In the first tier, policymakers offered incentives for investors in labour-intensive and industrial value-chain production to set up along China’s coast, while allowing waves of migrant rural labour to move to these emerging industrial and export-oriented hot spots. This began in earnest from the start of the “reform and opening” era. The groundbreaking “Law on Chinese-Foreign Equity Joint Ventures” of 1979 committed the state to greater protection of foreign property rights. This helped to attract early foreign investors. The same year, the State Council issued the “Trial Measures on Using Imports to Support Exports”, which introduced a programme of favourable trade and exchange terms for imports needed to build China’s export base (Yang 1991).

By May 1980 the State Council had also approved the “Meetings of the Guangdong and Fujian Provinces”, following which “export special zones” were renamed “special economic zones” (SEZs). By August 1980 the “Guangdong Special Economic Zones Regulations” were approved, leading to SEZs in Shenzhen, Zhuhai, Shantou and Xiamen, and marking the official start of China’s export-powerhouse coastal SEZs (gov.cn 2009; Liang 1999). The tax-incentivised factories that were set up thereafter, in many cases relocated from capital-rich, high-income countries to labour-rich China, instigated several decades of migration of rural workers to China’s coastal regions in pursuit of higher incomes (see Tung and Cho 2000). Reflecting a virtuous Lewisian circle, the income gains of those workers and the remittances to their home villages increased urban and rural consumption, and further incentivised such rural-urban migration.

The role of the SEZs was formalised under the China’s Coastal Development Strategy (CDS), which was approved by the State Council in February 1988 (see Yang 1991). The official title of the strategy was the “Outward-oriented development strategy in the coastal areas”. The initiative included 12 provinces—Beijing, Fujian, Guangdong, Guangxi, Hainan, Hebei, Jiangsu, Liaoning, Shandong, Shanghai, Tianjin and Zhejiang—which today account for a very
large share of China’s GDP. In sum, the CDS was intended to allow China’s more prosperous coastal provinces to fully participate in international trade and, via a Lewisian process of transfer of low-wage agricultural labour to the industrial sector, capture the potential of China’s low-wage demographic dividend.

Export orientation highlights the “opening” half of China’s “reform and opening” agenda. China was also lucky with its timing, as the era of its low-wage demographic dividend and opening up broadly coincided with the high-wage demographic dividend era of Japan, Hong Kong, Singapore, the United States, Canada and West European economies. This provided the conditions for “poor-young” China to produce seemingly limitless volumes of low-cost manufactured goods, and mostly “rich-young” high-income countries to provide the related high-technology goods, and services—until around the beginning in 2008—when both low-wage and high-wage demographic dividends broadly came to a halt.

4.2 The Second Tier: Advanced Post-Low-Wage Demographic Dividend Preparations

The success of the first tier generated the resources that would support the second tier of the strategy. That is, rising national and household incomes would permit the investment in education needed to achieve the second-tier goals of raising productivity and minimising dependency risks. In other words, resources would incrementally and explicitly be invested in the education of the next generation. In the tradition of Becker and Lewis (1973), fewer children per household meant that per capita spending on the children’s education was substantially higher than in the earlier period. In theory, this smaller, more educated cohort would then be sufficiently productive so as to provide for the larger older generation.

Concurrently, retirement promises made to the larger and older cohort in their prime earning years have consistently been modest. This ensures that these retirement costs do not become unsustainable and thus will not stall China’s modernisation agenda in the case of an early onset of population ageing in terms of national development. Thanks to its long-run EDT strategy, China is arguably at least comparatively well-positioned to continue its development (see Johnston et al. 2016; Johnston 2019a, b). In recent years, more information has emerged on China’s strategy for moving from the “poor-old” to the “rich-old” quadrant of the EDM.
4.3 China’s Next-Phase Strategy for the Goal of Transition from “Poor-Old” to “Rich-Old”

Ageing populations pose many economic challenges, increasing strains on the labour supply, and on fiscal and corporate resources, as a smaller share of the population are net productivity contributors. At the same time, an increasing share of resources, including human capital, must be directed towards the care of the old. In other words, there is a simultaneous challenge of managing falling output per head alongside a rising dependency per head.

Thanks to continuous research and policy thinking following the implementation of the One-Child Policy, China’s economic planning system has been preparing for the onset of population ageing for decades. More recently there has been increasing emphasis on a shift of the growth model away from low-cost and labour-intensive sectors towards more capital- and innovation-intensive sectors. Although success is not guaranteed and the path ahead will be difficult, China is expected gradually to move out of sectors that it has dominated in recent decades (see Garnaut et al. (2017), as well as). Such trends are likely to be accentuated by the China-US trade war that began in 2018, and also the likely effects of the coronavirus outbreak that began in December 2019, which could incentivise a reduction in dependency on China as an industrial supplier globally.

In 2013, a few years before China’s outward investment first exceeded inward foreign investment, China launched a flagship international political economy strategy, the Belt and Road Initiative (BRI) (see Huang 2016; Johnston 2019c). Under the BRI, China has allocated significant sums to supporting its outward investors, as well as to supporting growth in developing countries through concessional project financing and other incentives. In the post-COVID-19 era, developing countries well-positioned to attract international industrial investment may find themselves, for the first time in decades, in the right place at the right time.

Transition economies are fundamental to the BRI, with the intended economic corridor across Eurasia (see Fig. 26.5) traversing the territory of several of them. While the BRI will improve the links of China’s poorer and younger Western provinces to international markets and open up a second, non-maritime trade corridor with European and Middle Eastern markets, Eastern and Central European economies may also become new production hubs, by way of Chinese and other investment, for these markets.

Complementing that outward agenda to help its poorer provinces to integrate with international markets while also investing in “poor-young”
countries (i.e. those that can expect a demographic dividend in the future),
China has also recently begun to address more directly the fact that its rate of
population ageing is gathering pace. A series of directives linked to ageing and
the economy, and to the challenge of pension sustainability, have been initiated. For example, the 2019 Work Report, the annual report on the work of
the Government of China, promised to reform the management of age-care
insurance funds and guaranteed the payment of pensions on time and in full
(Zhou 2019). In March, the Ministry of Finance transferred into the state
pension fund a stake of almost 7% in the People’s Insurance Company of
China (He 2019). This was a first step in what is expected to be a relatively
standard pattern in the future, as China sets aside assets to cover its emerging
pension-related liabilities.

New opportunities in financial services for foreign investors are also emerg-
ing. For example, in April 2019 China’s State Council released a set of
“Opinions on promoting the development of pension services” (gov.cn
2019a). This set out 28 policy proposals for addressing a range of issues pres-
ently or imminently expected to affect ageing China. Throughout China’s
“reform and opening” period, in general the financial sector remained state-
owned and closed to foreign investors. More recently, however, the authorities
have begun to court the private sector and foreign investors to help provide

Fig. 26.5 Belt and Road Initiative map. (Note: Land-based routes are part of the con-
cept of a “Silk Road economic belt”, as launched in Kazakhstan. Ocean-based routes
are part of the “Maritime Silk Road”, as launched in Indonesia. Source: adapted from
Johnston (2019b))
innovative services to meet China’s pension obligations which, despite being kept relatively low, have been driven up by recent rapid population ageing.

With broader application across economic sectors, in November 2019 the “National Medium and Long-Term Plan to Actively Cope with Population Ageing” was issued by the State Council (gov.cn 2019b). Described as a “programmatic document for China to meet the challenges of population ageing”, it captures key issues and proposes targeted policies and solutions, for dealing with an ageing population while continuing with economic development. In January 2020 five central departments issued a notice on “Guiding Opinions on Promoting the Development of Industry Producing Products for Seniors” (gov.cn 2020). The Opinions encourage all economics actors to be innovative and productive in sectors of importance to older populations, from mobility-related products to communication-facilitating technologies that are especially useful for elderly users.

The flurry of related directives highlights not only the accelerating rate of population ageing, but also that China remains a middle-income country. That is, it is “first old, not rich”, while still wanting to become rich in per capita terms. Is it reasonable to be hopeful that China will succeed? The next section explores China’s 1980s-based “old, not rich” fears for getting rich in a cross-country context using recent data on countries entering the high-income group.

5 Updating China’s 1980s-Derived “Old Not Rich” Fears

After arriving at the worrying concept of “getting old before rich” in the mid-1980s, few researchers then re-evaluated the dynamic relevance of the concept. In turn, China’s point of comparison remained the earlier economic demography characteristics of East Asia, and not the demographic characteristics of more recent entrants to the high-income group. Moreover, in the absence of an extrapolation of the concept into what is now understood as the EDM, there was little by way of comparative study of China with other “poor-old” economies. The story was similar for the comparative study of how ageing itself may bring different economic and social impacts in each of “poor-old” and “rich-old” contexts (see Johnston et al. 2016 for related discussion).

That is, China consistently saw itself as a static old-before-rich exception, and not as a country case upon the dynamic economic demographic transition spectrum (see Johnston 2019). In this section, we review those points,
and in Sect. 6 draw on the discussion of China’s economic demography to look at the case of East and Central European transition economies.

5.1 Countries Now Tend to Get Old Before—if Ever—Getting Rich

One reason to be hopeful that China and other ageing developing countries—many of which are transition economies—can still become rich is the fact that the pattern of becoming rich while remaining old demographically does not appear to be an exception. It may even now be a “new normal” stage of a successful development process.

Table 26.2 sets out the demographic characteristics of countries entering the high-income group from the late 1980s, according to three different demographic indicators of population ageing. The first, Ageing 1, distinguishes between countries where the share of the population aged 65 and over makes up above or below 7% of the total. Ageing 2 looks at the share of children in the population, with 14% as the threshold between “young” and “old” populations. Ageing 3 is a ratio of Ageing 1 and Ageing 2, with the threshold between “old” and “young” population set above 30%, or 0.3.

Perhaps the most striking feature of Table 26.2 is that only two countries (Equatorial Guinea and Oman) entering the high-income group in recent decades were “young” by share of child population. Moreover, they both entered the per capita rich income group owing to oil-based commodity wealth. On this measure, even South Korea, one of China’s own reference points for having become economically rich before demographically old was in fact “old” by child population share at the time of entering the high-income group.

Variation across countries in terms of demographics and the growth of per capita income—reflected in Table 26.2 both directly and indirectly—contrasts China’s earlier assumptions around high-income country group entrance and demography. It is not true, that is, that most countries, at least contemporarily, get ‘rich’ when ‘young’. They also underpin the need to endogenise an EDT approach to economics in general. Given the high propensity for transition economies to be “poor-old” economies, and the challenges of getting rich from that position, nowhere is this EDT approach more relevant than for the transition economies of Eastern and Central Europe. Better understanding links between economics and demography across countries and time, in general, would provide useful comparative reference points.
5.2 Prospective Differences Between “Poor-Old” and “Rich-Old” Economies

An additional potential benefit of greater endogenisation of the EDT to mainstream economics derives from comparative economics in terms of economic demography. Returning to Table 26.1, which presents the EDM, there may be relatively consistent structural characteristics of countries in each corner of the matrix.

For example, all else constant, when compared with “rich-old” economies, “poor-old” ones retain convergence growth potential. While China’s economy has been growing at a rate of some 5% in recent years, “rich-old” Japan, which is at the same stage of ageing but with a higher income level, had a lower rate

| Year became rich | Country                 | Ageing 1 | Ageing 2 | Ageing 3 |
|------------------|-------------------------|----------|----------|----------|
| 1988             | Cyprus                  | 9.9 Old  | 25.2 Old | 39.1 Old |
| 1994             | Macao SAR, China        | 7.2 Old  | 25.8 Old | 27.9 Young |
| 1994             | Portugal                | 14.7 Old | 18.2 Old | 80.7 Old |
| 1995             | South Korea             | 5.9 Young| 23.0 Old | 25.7 Young |
| 1996             | Greece                  | 15.1 Old | 16.4 Old | 95.5 Old |
| 1997             | Slovenia                | 13.1 Old | 17.1 Old | 76.3 Old |
| 2002             | Antigua & Barbuda       | 7.0 Old  | 28.8 Old | 24.3 Young |
| 2006             | Czech Republic         | 14.2 Old | 14.6 Old | 96.9 Old |
| 2006             | Estonia                 | 17.0 Old | 15.0 Old | 113.2 Old |
| 2006             | Trinidad & Tobago       | 7.4 Old  | 21.5 Old | 34.6 Old |
| 2007             | Equatorial Guinea       | 3.2 Young| 40.7 Young| 7.9 Young |
| 2007             | Hungary                 | 16.1 Old | 15.1 Old | 106.4 Old |
| 2007             | Oman                    | 2.7 Young| 30.2 Young| 8.9 Young |
| 2007             | Slovak Republic         | 11.9 Old | 16.0 Old | 74.4 Old |
| 2009             | Latvia                  | 18.2 Old | 14.1 Old | 129.0 Old |
| 2009             | Poland                  | 13.4 Old | 15.1 Old | 88.3 Old |
| 2012             | Chile                   | 10.2 Old | 21.1 Old | 48.1 Old |
| 2012             | Lithuania               | 18.1 Old | 14.5 Old | 125.4 Old |
| 2012             | Russian Federation\(^a\)| 13.1 Old | 15.4 Old | 85.0 Old |
| 2012             | Uruguay                 | 14.1 Old | 22.0 Old | 64.1 Old |
| 2014             | Argentina\(^a\)         | 10.8 Old | 25.3 Old | 42.6 Old |
| 2014             | Seychelles              | 6.8 Young| 23.2 Old | 29.4 Young |
| 2014             | Venezuela, RB\(^a\)     | 6.1 Young| 28.4 Old | 21.5 Young |
| 2017             | Croatia                 | 20.0 Old | 14.4 Old | 138.9 Old |
| 2017             | Panama                  | 7.9 Old  | 27.3 Old | 28.9 Young |

Palau entered the high-income group in 2018, but recent demographic data is not available in the source database

Sources: Johnston (2019a); World Bank, *World Development Indicators* (2020)
\(^a\)Countries with volatile per capita incomes that see their high-income group classification fluctuate with upper-middle income classification
of economic growth, as is typical for a more mature industrialised phase. This means more new resources are being generated in China than in Japan, which may relatively provide for China’s ongoing development needs.

Similarly, in old-after-rich Japan the older cohort dominated the economic agenda through their adulthood. In old-before-rich China, conversely, today’s older (and larger) generation has never been an important driver of consumption, even in their prime earning years. This means that China is relatively well-placed because, just as it puts greater emphasis on consumption as a growth engine, it has developed a newly enriched, higher-spending younger consumer class for whom higher levels of consumption have been relatively normal from the start. In Japan, by contrast, the younger and middle-aged cohort of the “lost decades” feels less economically prosperous than the larger, older population whose retirements they are responsible for providing.

In China’s case, when today’s older generation leaves the workforce, the impact will be different. Whereas in “rich-old” Japan the education gap between generations is narrow and the human capital embodied in the older cohort is deep, in China human capital is dramatically skewed in favour of the young. As China’s population share of workers falls, just maintaining output per capita requires improved productivity per capita. In theory at least, China’s younger cohort are well-positioned to utilise their relatively better skills to maintain, if not increase, productivity levels.

China’s human capital investment in its smaller, younger population share is the result of the explicit focus of its longer-term EDT national development strategy. This, however, is not necessarily the path that has been taken by all “poor-old” economies. In fact, it is challenging to draw strict conclusions about the relationship between ageing and the economy across countries. With that caveat, the next section studies the economic demography characteristics of Central and East European countries in the context of the EDM, China and some broader issues, including emigration.

6 Eastern and Central Europe Within the Economic Demography Transition (EDT) Framework

6.1 Survey of Eastern and Central European Economies

Table 26.3 presents demographic characteristics related to ageing for transition economies in 2018. It uses the same ageing indicators as Table 26.2, but adds income per capita data. This provides an implicit EDM map of
transition economies which can be summarised as follows: Central and Eastern Europe, and the Baltics, like the OECD, qualifies as “rich-old”; South-eastern Europe, like China, is upper-middle income and old (poor-old); transition economies not otherwise classified are a mix of poor-old and poor-young. But even the “Stans”, which in 2018 were consistently “young” by Ageing 1 and Ageing 3 indicators, are already categorised as “old” by the criterion of Ageing 2, which is the share of children in the population. This implies that a process of demographic transition has begun in these countries. The data in Table 26.3 implies that, where countries of the region have not been as active in planning for their EDT as China, it might be timely to do so.

We know from Tables 26.1, 26.2, and 26.3 that Central and Eastern Europe, and the Baltics, are not only “rich-old”, but that they all entered the high-income group after getting old. Factors contributed to that per capita income growth, including the role of EU membership, are not explored herein. However, in a context of China’s “old before rich” fears, this provides several precedents for getting rich after getting old (see Johnston et al. 2016; Jiang et al. 2018). Johnston (2019) finds that, since 1996, countries have a much higher chance of entering the high-income group from being demographically “old” rather than young, as was the earlier precedent from North-East Asia. Planning a process of development in transition economies that continuously accounts for economic and demographic transition in parallel, as China has done for years, appears logical.

The approach more generically and extrapolated across different demography transition stages is elaborated next using the total fertility rate (TFR). The TFR is the number of children who would be born per woman (or per 1000 women) if each were to pass through their childbearing years having children according to the current schedule of age-specific fertility rates. Table 26.4 uses demographic-transition-related cut-off points from the World Bank’s World Development Indicators, Johnston (forthcoming, Johnston 2020) for the TFR, and population share of children (0–14 years) and the old (65 years and over) to classify societies by their stage of demographic transition. Table 26.5 presents transition economies according to the categories set out in Table 26.4.

The countries listed in Table 26.5 are the demographic transition indicator corollary of Table 26.3. From this it is clear that most transition economies in Eastern and Central Europe are “low fertility rate societies”—that is, they have already passed the demographic dividend period. At the other extreme, there are no transition economies in the high-fertility-rate society category,

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6 For a discussion of this, see Campos (2020)—Chap. 14 in this volume.
| Ageing 1 | Ageing 2 | Ageing 3 | Per capita income | EDM Group |
|---------|---------|---------|------------------|-----------|
| Value   | Category | Value   | Category | Value   | Category | Level | Category | EDM Group |
| Latvia  | 20.0 Old | 16.0 Old | 1.3 Old | 16,510 Rich | Rich-old |
| Lithuania | 19.7 Old | 14.9 Old | 1.3 Old | 17,430 Rich | Rich-old |
| Slovenia | 19.6 Old | 15 Old   | 1.3 Old | 24,580 Rich | Rich-old |
| Estonia | 19.6 Old | 16.4 Old | 1.2 Old | 21,140 Rich | Rich-old |
| Czech Republic | 19.4 Old | 15.6 Old | 1.3 Old | 20,240 Rich | Rich-old |
| Hungary | 19.2 Old | 14.4 Old | 1.3 Old | 14,780 Rich | Rich-old |
| Poland | 17.5 Old | 15.1 Old | 1.1 Old | 14,100 Rich | Rich-old |
| Slovakia | 15.6 Old | 15.5 Old | 1.0 Old | 18,260 Rich | Rich-old |
| Bulgaria | 21.0 Old | 14.6 Old | 1.4 Old | 8860 Upper-middle (UM) Poor-old |
| Romania | 18.3 Old | 15.5 Old | 1.2 Old | 11,290 UM Poor-old |
| Serbia | 18.3 Old | 15.7 Old | 1.1 Old | 6390 UM Poor-old |
| Bosnia & Herzegovina | 16.5 Old | 14.8 Old | 1.1 Old | 5740 UM Poor-old |
| Macedonia | 13.7 Old | 16.5 Old | 0.8 Old | 5450 UM Poor-old |
| Montenegro | 15.0 Old | 19.2 Old | 0.8 Old | 8430 UM Poor-old |
| Albania | 13.7 Old | 17.7 Old | 0.8 Old | 4860 UM Poor-old |
| Kosovo | n.a. | n.a. | n.a. | 4220 UM Poor-old |
| Former Soviet Union/transition economy not elsewhere classified |
| Ukraine | 16.4 Old | 15.8 Old | 1 Old | 2660 Lower-middle (LM) Poor-old |
| Georgia | 14.9 Old | 19.8 Old | 8 Old | 4440 UM Poor-old |
| Belarus | 14.9 Old | 16.9 Old | 0.9 Old | 5670 UM Poor-old |
| Russia | 14.7 Old | 17.9 Old | 0.8 Old | 10,230 UM Poor-old |

(continued)
| Ageing 1 | Ageing 2 | Ageing 3 | Per capita income | EDM Group |
|---------|---------|---------|-------------------|-----------|
| Value   | Category| Value   | Category | Value   | Category | Level | Category | EDM Group |
| 11.5    | Old     | 15.9    | Old      | 0.7     | Old      | 2980  | LM       | Poor-old  |
| 11.3    | Old     | 20.6    | Old      | 0.6     | Old      | 4230  | UM       | Poor-old  |
| 7.4     | Old     | 28.5    | Old      | 0.3     | Young    | 8070  | UM       | Poor-old  |
| 6.1     | Young   | 23.4    | Old      | 0.3     | Young    | 4050  | UM       | Poor-young|
| 4.5     | Young   | 32.4    | Old      | 0.1     | Young    | 1220  | LM       | Poor-young|
| 4.4     | Young   | 30.8    | Old      | 0.1     | Young    | 6740  | UM       | Poor-young|
| 4.4     | Young   | 28.7    | Old      | 0.2     | Young    | 2020  | UM       | Poor-young|
| 4.1     | Young   | 30      | Old      | 0.1     | Young    | 3660  | UM       | Poor-young|
| 3       | Young   | 36.8    | Old      | 0.1     | Young    | 1010  | Low-income| Poor-young|

As of July 1, 2019, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of US$1025 or less in 2018; lower middle-income economies are those with a GNI per capita between US$1026 and US$3995; upper middle-income economies are those between US$3996 and US$12,375; high-income economies are those with a GNI per capita of US$12,376 or more. (World Bank 2018)

Source: Data from World Bank, World Development Indicators (2019a)

Note: Data in Table 26.2 offers background in that all “rich-old” transition economies were “old” upon entering the high-income group. That is, and in EDM language, they were first poor-young, then poor-old and then rich-old.
and just four countries—Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkmenistan—in the pre-demographic dividend category.

At the youthful extremum, a high-fertility-rate society can be caught in the Malthusian Trap, whereby population growth overrides per capita economic gains, so inducing economic stagnation. From the older end of the dependency spectrum, a country faces a similar prospect. In this case, however, it is the needs of older dependents directly exhausting or inhibiting, per capita productivity gains and innovation. This old-age dependency stagnation risk scenario is known as the Johnston Trap (Johnston 2019).

Between these extremes of stagnation, different demographic transition phases also imply different factor endowment comparative advantages. For

### Table 26.4  Demographic transition phases

|                | TFR (no. children) | Child share (% pop.) | Elder share (% pop.) |
|----------------|--------------------|----------------------|----------------------|
| Low fertility rate society<sup>a</sup> | <1.7               | <19.0                | >10.7                |
| Demographic dividend era         | 1.7–2.4            | 19.0–28.9            | 5.8–10.7             |
| Pre-demographic dividend         | 2.4–5.0            | 28.9–43.5            | 2.8–5.8              |
| High fertility rate society<sup>b</sup> | >5.0               | >43.5                | <2.8                 |

Source: Johnston (2020, forthcoming)

Note: Phase classifications identified using the thresholds presented in Table 26.2

<sup>a</sup>Post-demographic dividend

<sup>b</sup>“Malthusian”

### Table 26.5  Transition economies by Demographic Dividend Phase (based on TFR, 2017)

| Demographic circumstance | TFR range | Countries                                                                 |
|--------------------------|-----------|----------------------------------------------------------------------------|
| Low fertility rate society<sup>a</sup> | <1.75     | Albania (1.64), Bulgaria (1.54), Bosnia & Herzegovina (1.28), Belarus (1.54), Czech Republic (1.63), Estonia (1.60), Croatia (1.42), Hungary (1.53), Lithuania (1.69), Latvia (1.74), Moldova (1.26), North Macedonia (1.50), Montenegro (1.74), Poland (1.39), Romania (1.64), Slovak Republic (1.48), Slovenia (1.58), Ukraine (1.37). |
| Demographic dividend      | 1.75–2.51 | Armenia (1.75), Azerbaijan (1.90), Georgia (2.06), Russian Federation (1.76), Uzbekistan (2.46) |
| Pre-demographic dividend  | 2.51–5.02 | Kazakhstan (2.73), Kyrgyz Republic (3.0), Tajikistan (3.61), Turkmenistan (2.84) |
| High-fertility-rate society | >5.02   | None                                                                   |

Source: World Bank, *World Development Indicators* (2019a)

<sup>a</sup>See Table 26.4 for societal structure (demographic) definitions
example, a rich-old country has a high probability of having relatively high-cost and richly endowed human capital. This means that a rich-old country is likely to specialise in highly capital-intensive sectors. In contrast, a poor-young country may be in the early or middle phase of a demographic dividend growth period, and so might be creating investor and education incentives to reap from a process of development.

An approach to managing the economy that takes into account these two respective underpinning rates of change over time, and their interaction, is probably the most powerful long-run approach to development. China’s contemporary economic development agenda is a case in point. Table 26.6 presents a basic guide to economic policy priorities through the different demographic transition phases, which link also to the phases of economic demography transition.

As noted, China has had a long-run economic demography transition approach since the 1980s, following the imposition of a One-Child Policy. From an early phase in demographic transition, preparations were hence also being made for later EDT requirements. This includes the fiscal burden of pensions and the need for future human capital to be more richly endowed than earlier in order to push the production possibility frontier, despite a falling workforce population share and consequent adverse dependency ratio shifts.

### 6.2 A Global EDT Approach

From a global perspective, it is important for transition economy policymakers and entrepreneurs to understand the demographic difference of their own prospective development era, whether demographic dividend-related or post-demographic dividend, compared with the era of East Asian development. An export-oriented development strategy played a major role in East Asia’s rapid industrialisation in the second half of the twentieth century. The strategy worked by each country successively joining the region’s global value chain and exporting to the higher-income world, mainly Europe and North America. Usefully, over the second half of last century, those high-income countries were also in a demographic dividend period. As a result, there were rapid productivity gains and a large working-age population offering demand for East Asia’s lower-cost exported goods.

Circumstances will be different for later developers over the next several decades, including transition economies and those trying to raise their per capita incomes to higher per capita income levels again. Instead of a demographic dividend, those established high-income countries are now
undergoing rapid old-after-rich population ageing (see Johnston 2019 for prospective relative rich-old and poor-old challenge differences). The demand and broader economic structure should be expected to shift too.

On the one hand, high-income coastal provinces in China may enter global consumer markets so as to offer new demand (see Lin and Wang 2014). Technology shifts, political economy factors and other changes may also shift the environment again. This serves to highlight the need for each country, China included, not to seek to cut-and-paste from yesterday’s development success story, but rather to set up a suitable economic policy environment in line with their own EDT, and the global circumstance around it.

### Table 26.6  Policy priorities through EDT phases

| Demographic society | Policy priorities |
|---------------------|-------------------|
| **“Older” population countries (poor-old and rich-old countries)** |
| Low fertility rate  | Adapting to ageing Maintaining and improving welfare in the context of declining workforce population share and a growing old-age share. At this stage, attitudes to the elderly and their productive engagement of the economy—while also ensuring that the “weight” of the old does not dampen the next generations’ productivity—is fundamental |
| Late demographic dividend | Sustaining productivity growth Creating conditions necessary to reap the second demographic dividend and beginning to prepare for ageing. Countries typically need to begin reshaping retirement policies and concurrently ensure that the smaller share of youth is not disadvantaged, but instead able to be extremely productive, given the need to provide for the old. Incentives to direct the savings of the elderly into the most productive areas need to be crafted |
| **“Younger” population countries (poor-young and rich-young)** |
| Early demographic dividend | Accelerate job creation Creating increasingly productive jobs for the growing share of the population in working ages to reap the demographic dividend. This requires appropriate macro-fiscal and labour frameworks, including making it easier for parents to work formally |
| High fertility rate | Sparking the demographic transition (if sought by population) Improving human development (health and education) outcomes to accelerate the fertility decline and create a population age structure with fewer child dependents as well as a larger working-age share of the population |

Source: Johnston (2020, forthcoming), World Bank (2019b)

Note: Rich-young countries have a different set of challenges to the more classic poor-young countries in terms of reaping the potential of a demographic dividend. These countries typically encounter challenges in resource-rent management and distribution. With the exception of Equatorial Guinea, most such countries are in the Middle East and Southeast Asia, not Africa. See Johnston et al. (2016). See Table 26.2 for empirical definitions of each society (demographic) type
6.3 Emigration

This chapter is insufficiently long to systematically analyse the impact of emigration on the economic demography challenges of transition countries. Nevertheless, this factor is endogenous and central to the demographic challenges facing the East and Central European transition economies, so that it is not a new topic to the literature (see for example Rosenstein-Rodan 1943). Moreover, in era of population ageing across most major economies, emigration may become more fractious and sensitive an issue within and between countries, driven by competition for labour and taxpayers.

The last point may be especially true in countries where the population is generally against high levels of emigration to fill labour market needs (see Szczepanikova and Van Criekinge 2018). Similarly, the different approaches of members of the EU in response to both labour shortages and third-country crises producing high numbers of refugee arrivals may also induce heightened political frictions within the EU.

In response to falling birth rates, rapid population ageing and emigration to other EU states, some transition economies in the region have recently begun to offer incentives for births and for migrants to return home. In 2015, under it hard-line populist Prime Minister, Victor Orbán, Hungary began running a scheme to encourage young expatriates to return to Hungary. The “Come home, young person” scheme offered free flights home to Hungary for young nationals living abroad and offered them 100,000 forints (about €250) every month for a year after their return (Szakacs 2019).

In 2019 Orbán noted: “There are fewer and fewer children born in Europe. For the West, the answer (to that challenge) is immigration. For every missing child there should be one coming in and then the numbers will be fine”. In a speech announcing new related incentives, he went on to say that “we do not need numbers. We need Hungarian children”. New measures included the expansion of a loan programme for families with at least two children to help them buy homes, subsidies for car purchases and waiving personal income tax for women raising at least four children (Szakacs 2019).

For all countries in the region, population ageing presents a multitude of economic and political challenges. Even in Germany, there is perhaps increasing divergence of consensus around “first old, not rich” East German political economy and “old-after-rich” West German political economy and EDT conditions. For example, it is probable that retirees in West Germany are, on average, richer than retirees in former East Germany, and hence may be more likely to respond adversely to greater direct and visible pressures upon the public purse. Similarly, the East German region has experienced large-scale emigration, leaving it one of the “oldest” areas in the world (Rankin 2020), which may also affect the sub-region’s political economy. It therefore may be
6.4 A Different Approach Going Forward

Given the political risks to the EU of such deviation on immigration and political consensus more generally, it appears to be timely that governments with ageing populations across the world might cooperate to incentivise innovation in a number of areas. Table 26.7 summarises some suggestions for cooperation, with the aim of fostering debate.

| Area                        | Prospective policy response details                                                                                                                                                                                                 |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Elderly care costs          | Incentivise entrepreneurs to develop initiatives and innovations that reduce the fiscal and private burden, in terms of the labour and monetary cost, of caring. Promote rapid adoption across countries of such useful initiatives and ideas, including technologies and living arrangements. Foster accommodation ownership and allocation so as to maximise allocation of housing resources across generations and minimise caring needs, for example, by encouraging independent co-living among older citizens in place of living alone in family homes that they are otherwise disincentivised (logistically and financially) to leave. |
| Fiscal and pension-related  | For transition economies that are part of a broader economic union involving free movement of labour, it may be important to develop tax- and pension-related cost sharing. If young labour from some member countries contributes to pension systems in one country, but this adversely affects pension sustainability in their home country, it may be a source of intra-union and intra-generational friction, as well as alongside economic inefficiencies. Similarly, the fall in a country’s working-age population share should trigger a review of the national tax structure across all countries, if this has not already begun beforehand. As income tax payers become rarer, rather than increasing per-worker income taxes, it may be necessary to shift the tax burden—towards taxation of consumption or rent-based wealth, for example. This will depend on each country’s economic demography transition and national characteristics. Fiscal change may need to be continuous with economic demography itself. The drop in the working-age population share may nonetheless offer a useful and politically efficient point at which to begin a national review. |

(continued)
Table 26.7 (continued)

| Area                                                                 | Prospective policy response details                                                                                                                                                                                                 |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Foster intra-generational communication and support                 | In transition economies especially, the older cohort have had a different lifespan to the younger cohort (a fact that may receive insufficient attention across EU countries and within reunified Germany). Fostering communication and understanding of this difference, and encouraging inter-generational communication, including between retirement homes and schools, may support community and so economic cohesion. This would also implicitly recognise that in non-transition “old” (high-income) economies, the old have had relatively comfortable lives, a fact that itself may inspire political divergence between transition and non-transition members of economic and political unions. In the Netherlands, there are programmes for university students to live for free in the homes of the elderly in return for basic support and company. Such programmes, if not already in place, may be established across transition economies with rapid population ageing, alongside other creative house-sharing arrangements. |
| Foster a positive “population decline” debate and policy approach    | Persons in child-bearing age may or may not respond to calls for them to reproduce at higher rates. It is highly probable that, without migration, many transition economies will experience rapid population decline over the coming decades, if this has not started already. Since attracting migrants will become increasingly competitive, and it might in the end be impossible as all countries to reach a more advanced stage of demographic transition, finding ways to manage population decline for the better may also be a positive step. The study of new welfare metrics and of the macroeconomics of population decline across affected countries, alongside debate over the merits of reduced production of less necessary consumption goods, may aid discussion on these issues. |
| Shift selective necessary labour-intensive industries to labour-rich economies | Greater awareness of the EDM quadrant of each country (rich-old, rich-young, poor-old and poor-young) may help to foster dynamic factor-endowment congruent investment. In East Asia a process of gradual outsourcing by investors took place over decades. The same could take place across and between transition economies, as well as today’s remaining “poor-young” developing countries. |
Economic demography lumps have historically been associated either with a large youth bulge producing a Malthusian stagnation, where per capita gains become impossible, or with a demographic dividend. In 2018, however, the world was for the first time home to more people over the age of 64 than those under 5. Some 85% of global GDP is now produced in countries that have rapidly ageing populations for the first time.

### Table 26.7 (continued)

| Area                                      | Prospective policy response details                                                                                                                                 |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incentivise new industries                | As the working-age population share falls, new, less-labour-intensive industries need to be sought by the market, especially where all related processes are unable to be automated. Similarly, given shifting dependency ratios, a shift in production away from unsustainable industries may be required. Such changes may need to be encouraged by government incentives. Likewise, incentives that can tap into the greater spending power of the elderly cohort in most west European and north American economies may also pay dividends. A cold war tour for contemporary retirees starting at the location of John F. Kennedy’s famous “Berliner” speech could be an example. |
| Foster global economic & social dialogue on economic demography issues & lesson-sharing | This dialogue, started by Japan under its 2019 G20 presidency, should see enhanced understanding of how each country’s unique economic demography transition affects its economy and politics. This could be accompanied by the sharing of lessons for cost-saving and improvements in living standards. It could also include macroeconomic lesson-sharing—on the implications for monetary and fiscal policy, for example. It must also prioritise the welfare of the young, whose voices and lifespan interests may be lesser-weighted amid rapid ageing. The different national approaches to ageing should also be studied, including China’s, since China began to focus on how the economy might be affected by demographic transition ahead of other countries; and Japan, which has the most intensified ageing circumstances among high-income countries that have experienced population ageing after reaching an advanced stage of economic development. That is, those that got old after getting rich. |

## 7 The EDT of Transition Economies in the Twenty-First Century

Economic demography lumps have historically been associated either with a large youth bulge producing a Malthusian stagnation, where per capita gains become impossible, or with a demographic dividend. In 2018, however, the world was for the first time home to more people over the age of 64 than those under 5. Some 85% of global GDP is now produced in countries that have rapidly ageing populations for the first time.
Following Slovenia’s turning point—it being the first economy to “get rich after getting old”—the economic demography of transition economies puts them on the frontier of the transition from “getting old after getting rich” to “getting rich after getting old”. This presents both challenges and opportunities, both structural and for global policymaking.

For ageing transition and non-transition economies alike, it is imperative to understand the ensuing economic and social effects, and to respond strategically in policy terms. For today’s “young” populations, as minorities in ageing population countries or as majorities in poorer economies (such as Azerbaijan, Mongolia, Kyrgyzstan, Tajikistan, Turkmenistan or Uzbekistan), endogenising those lessons across time by adopting a continuous economic demography transition approach to policymaking may be increasingly fruitful. China offers a frontier reference point for this approach.

Most counties that develop later, including not just “young” transition economies but also most of those of South Asia and Africa, are likely to get old before becoming rich (see Johnston 2020, forthcoming). This means that understanding how best to manage their respective economic demography transition over the coming decades will be helped if lessons can be drawn from the successes and failings of today’s “poor-old” and “rich-old” transition economies. Transition economies may provide a new development road map, or at least more reference points.

In the meantime, for any ageing population economy it is essential to avoid the late demographic transition phase Johnston Trap. In that case, ageing populations can progressively, or even exponentially, diminish per capita productivity and hence to serve to relatively stagnate the economy and society also. Table 26.7 offered some nascent suggestions for individual countries and groupings of countries, as well as a global effort, towards avoiding that fate.

Policy suggestions offered here include a continuous, economic demography-weighted, approach to reviewing tax policy. For example, where the working-age population share is falling, depending on the economic characteristics of those in the latter stages of their lives, it may be less efficient simply to increase income taxes on the smaller working-age population share and instead shift the tax base towards consumption, wealth or inheritance taxes. Similarly, the older a population becomes, if it moves home less often, property taxes may need to shift from point-of-sale towards value-based taxation. That is, the fiscal system is just one area that should be continuously adjusted to account for demographic change. A broader policy debate on these topics is required.
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