

Demography

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Demography

- Importance generally under-appreciated.
- Long-run phenomenon, whereas focus of analysis and policy on business cycle periodicity, 2-4 years.
- Also within this time frame, relatively little that policy change can do to change demographic background.

But, currently much more interest for several reasons.

- First, growing appreciation that recent trends not only due to improved monetary policies.
- NICE years versus Post GFC.
- Instead a combination of demography, plus China (and E. Europe), delivered a huge 'positive' labour supply shock. Globalisation, Inequality, Out-sourcing and Migration.
- For the few, not the many.

- Second, the demographic shock is about to reverse and sharply. China and Germany.
- What will be the effect? Does Japan give us any lessons? Yes and no. Post 2000 not a lost decade. Also Japan's demography shifted while RoW still had a demographic dividend.
- Phillips Curve no longer purely national. Carney's IMF speech.

Chart 1: Global Price Phillips Curve?



Notes: Average world output gap and global core CPI inflation (PPP-weighted).
Sources: CEIC, IMF, ONS, Thomson Reuters Datastream and Bank calculations.

Consequences, in order of certainty:-

- Slower growth
- Heavier taxation
- Higher wages/inflation
- Higher nominal interest rates
- Productivity recovery
- High real interest rates

Ex ante I and ex ante S

- What has been happening to corporate I?

Some Policy Issues

- How to handle dementia?
- Balance of health costs and research.
- Can robots do it?

- More generally can Services be taken over by robots?
- Education, conferences, driving, restaurants?
- Previously:
 - physical power > emotional empathy
 - Men > Women
- Future:
 - Emotional empathy > physical power
 - Women > Men
- What to do about the young male under-class?
 - Sex ratios in Asia?