

BANKING THE “DEMOGRAPHIC DIVIDEND”: HOW POPULATION DYNAMICS CAN AFFECT ECONOMIC GROWTH

Featuring **David E. Bloom**, Clarence James Gamble Professor of Economics and Demography, Harvard School of Public Health, Harvard University
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By **Robert Lalasz**



David E. Bloom

Policymakers and mainstream economists often disregard demographics as a factor in economic growth. But David Bloom, co-author of the new RAND Corporation “Population Matters” report “The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change,” told a Wilson Center meeting that population dynamics are key to understanding disparities in regional income growth.

Moreover, Bloom argued, national policies can capitalize on a country’s demographic makeup to spur higher economic growth. “There are two things to remember,” said Bloom. “First, that population matters to the pace and growth of economic development. Second, that it matters a lot.”

Ignoring the Correlations

Bloom first reviewed the debate and recent research on the connections between population and economics. Since 1820, he said, economic growth has differed substantially by region, with the per capita income disparity between richest and poorest nations rising from 3:1 to 20:1 today. Meanwhile, global population is expected to reach nine billion by 2043, with the dominant share of that growth among the economically weakest and most vulnerable countries.

But can economic differences be explained by demographics? Bloom detailed

the differences between what he called the “East Asian Miracle” and the “African Debacle” of 1965–1990. While East Asian economies during this period grew at close to 6 percent a year—an unprecedented length of such high and sustained growth—sub-Saharan Africa grew at 0.3 percent annually. But sub-Saharan Africa has had a substantially higher rate of population growth and a much smaller ratio of working-age to dependent population. “Is this a coincidence, or is there some connection?” asked Bloom.

Most economists don’t think so, according to Bloom. He said that “population neutralism” (the idea that demography and income growth have no correlation) became a widespread concept in the wake of a mid-1980s National Academy of Sciences report that coined the term and concept. The NAS report, Bloom said, caused population issues to fall off the radar screens of the World Bank and other international organizations and foundations as well as American foreign policy—this, despite that “one rarely encounters scholars and policymakers in developing countries who agreed with population neutralism,” said Bloom.

The “Demographic Dividend”

But most economists have misunderstood “demography” and “demographic change” as merely code words for “population growth,” Bloom said. For example, he argued, they

need to consider such phenomena as the demographic transition—when societies move from having large numbers of dependents (children and elderly) to a larger ratio of workers to dependents.

In the early stages of demographic transitions, a falling mortality rate (often spurred by improvements in public health) eventually leads to a decline in fertility, as women whose children are surviving have fewer of them. But there is a lag time between the two events, resulting in a large youth cohort that in a generation becomes workers. Bloom said that this cohort yields more savers, increased productivity, and accelerated economic growth—the demographic dividend.

“[The demographic transition] is extremely strong as a catalyst and predictor of economic growth,” said Bloom. “In fact, no other factor comes close to its impact.” East Asia is the prime example, he said, with the demographic dividend accounting for up to 40 percent of the East Asian Miracle. The 1979 legalization of birth control in Ireland produced a similar rise in that country’s ratio of working-age to dependent population and a concomitant economic boom. But the HIV/AIDS pandemic in sub-Saharan Africa will exacerbate that region’s economic drag, said Bloom, since 80 percent of the pandemic’s fatalities will be of people in their productive working years.

Desperately Seeking Policy

Bloom cautioned that reaping the demographic dividend is not automatic—it depends on a policy environment that emphasizes population and family planning, good public health, good education, open labor markets, free and fair trade, and good governance and economic management.

Latin America, said Bloom, provides an example of an “unreaped economic dividend.” While Latin America’s demography has resembled East Asia’s, he said, its economic growth is closer to sub-Saharan Africa’s because of poor governance and an inward

economic orientation. “We are now midway through the Latin American demographic transition, so all is not lost,” said Bloom.

Bloom said that there are three major areas in which policy can boost the demographic dividend:

“First, population matters to the pace and growth of economic development. Second, it matters a lot.”

—David E. Bloom

- Catalyzing the demographic transition (with public-health improvements, especially geared towards infants and children);
- Accelerating the demographic transition (with family-planning programs, since smaller family sizes allow women to enter the workforce);
- Allowing countries and businesses to exploit demographic opportunities (by reforming labor markets and blocking high minimum wages or formation of powerful unions).

RAND’s research, said Bloom, strongly suggests that demography is a way into the development process, and that its lessons must be understood and applied across sectors and ministries. “Failure to act could have dire consequences,” Bloom said—including high unemployment in the potentially volatile boom cohort and rising numbers of elderly dependents straining available resources.

“There is no magic bullet to solving the problem of underdevelopment,” concluded Bloom. “But health and demography swamp every other factor in development—including education. We are right at the moment of deciding whether demography should be reevaluated as a development policy issue, and whether health should be evaluated in the first place.”



LINKING HEALTH, ENVIRONMENT, AND COMMUNITY DEVELOPMENT: LESSONS FROM THE THAI EXPERIENCE

Featuring **Mechai Viravaidya**, Founder and Chairman of Thailand's Population and Community Association

11 December 2002

By **Robert Lalasz**



Mechai Viravaidya

The driving force behind Thailand's remarkably successful family planning movement detailed for a Wilson Center audience how his NGO has broadened its mission to encompass health, development, and the environment while also becoming more self-sufficient.

Mechai Viravaidya said that his Population and Community Development Association (PDA) has succeeded through persistence, creativity, integrated programs, and entrepreneurship. "The only way to take poor people out of poverty is through the marketplace," Viravaidya said.

Cabbages and Condoms

Duff Gillespie, senior deputy assistant administrator of USAID's Bureau for Global Health, introduced Viravaidya by praising the Thai activist's energy and risk-taking.

"He thinks big thoughts and then goes the next step and does big things," said Gillespie. "There are literally tens of thousands of people alive today who wouldn't be were it not for Mechai. And because of him, many thousands more have much richer lives, figuratively and literally, than they would have had."

Viravaidya, who is also a UNAIDS ambassador as well as a senator in Thailand's parliament, next detailed how PDA grew from a family-planning NGO to a provider of integrated development and environment programs. When PDA initiated community-based family-planning services in 1974, Thailand was an explicitly pro-natalist country, with an annual population growth rate of 3.2 percent and seven children per family on average. Today, those figures have declined to less than 1 percent and 2 children per family.

Viravaidya detailed how PDA spearheaded Thailand's national effort to reduce its birth rate through (a) increasing

accessibility to contraceptives (especially in rural regions) and (b) making contraceptives acceptable to the public at-large, often through colorful public information campaigns that featured condom-blowing contests, free vasectomies, and primary school educational programs.

"Cabbages and condoms," said Viravaidya, repeating PDA's famous slogan. "Contraceptives have to be found as easily as vegetables in villages." PDA involved everyone from taxi drivers to the police, Avon salespeople, and Buddhist monks in the effort.

The campaign has been so successful, Viravaidya said, that PDA now spends only 10 percent of its efforts on family planning. "Everybody [in Thailand] accepts it," he said. Indeed, "Mechai" is now a Thai nickname for "condom."

Expanding Its Portfolio

In the 1980s and 90s, PDA expanded its portfolio to include health (particularly HIV/AIDS) and rural development, poverty reduction, and environmental conservation. For HIV/AIDS, Viravaidya said that PDA worked to get even more widespread distribution of condoms throughout Thailand as well as continuous public service announcements on television—an effort that has helped to reduce the country's HIV infection rates by 77 percent.

Viravaidya stressed the importance of visible high political support for such efforts. "The next World AIDS Conference [set for Bangkok in 2004] should have a leadership track," he argued. "Without political commitment at the top, it will be very difficult to make inroads against the global AIDS problem."

PDA has also developed a for-profit arm, running its own handicraft shops, resort, and restaurant (the famous "Cabbages and Condoms" in Bangkok) as well as brokering

deals between rural Thai villages and corporations such as Volvo and Nike. Other rural efforts have involved collective rural microcredit and programs to empower women.

“You begin to see the wealth, the strength, the power of the village,” Viravaidya said. “And it’s all sustainable.”

He concluded by chastising donor countries and foundations for relying too heavily on grants. “You have to help us be viable through training and resource allocation,” Viravaidya said. “NGOs are expecting to live off the generosity of donors forever, and it can’t work.” **W**

GOOD WATER MAKES GOOD NEIGHBORS: A MIDDLE EAST PILOT PROJECT IN CONFLICT RESOLUTION

*Featuring **Gidon Bromberg**, Israeli Director, Friends of the Earth Middle East, and **Abdel-Rahman Sultan**, Director, Washington Office, Friends of the Earth Middle East*

22 January 2003

By **Robert Lalasz**

Can environmental problems be used to promote international cooperation even in the world’s most contentious areas?

Friends of the Earth Middle East (FOEME) is an NGO committed to dialogue and working exclusively on transboundary environmental issues involving Jordanian, Israeli, and Palestinian communities, with a staff that is drawn equally from those communities. In this meeting, co-sponsored by the Wilson Center’s Environmental Change and Security Project (ECSP) and its Middle East Project as well as FOEME and the Heinrich Böll Foundation, Gidon Bromberg and Abdel-Rahman Sultan detailed FOEME’s efforts to foster cooperation on water among some of the region’s border municipalities.

Inclusiveness the Key to Success

FOEME, which was established in 1994 under the name EcoPeace, was the first regional environmental organization to include Jordanian, Israeli, and Palestinian environmental groups and actors. Bromberg said that FOEME practices strict inclusiveness: not only does it have offices in all three of the countries in which it works, but each of its projects (working to save the shrinking Dead Sea, trade and the environment, renewables, and water) must have coordinators from each country.

“The success of the organization is that

it together decides on a single agenda, and then the staff from each country dialogues with that country’s press and policymakers,” Bromberg explained. “It’s a single effort to promote regional peace and environmental cooperation.”

The Middle East: An Impending Water Disaster

Sultan followed by outlining the dire water situation in the Middle East, where population growth, unsustainable agricultural practices, and pollution are stretching this arid region’s scarce water to the point of disaster.

Sultan said that, while Middle East rivers such as the Jordan and Yarmouk are being tapped beyond capacity, untreated sewage is ruining both the region’s surface water and its crucial aquifers (which are generally shared among many or all of the region’s countries).

According to Sultan, inequitable water distribution also marks regional water management: while Israelis use an average of 300 cubic liters per capita per day, Palestinians receive merely 60—barely above the generally-agreed upon minimum for human sustainability.

“Jordan receives water for 12 hours daily,” Sultan said, “and most Palestinian villages don’t have continuous water flows.” He added that, since the Palestinian national workforce is more dependent on water-



Gidon Bromberg

intensive agriculture than those of surrounding countries, such shortfalls are particularly dangerous for Palestinian economic sustainability.

Sultan also noted that high national population growth rates will continue to widen an already large gap between the region's demand for water and its supply. Palestinian annual population growth rates average about 4 percent, and Israeli rates are about 3.5 percent.

By 2040, Sultan said, the water demands of these burgeoning populations will outstrip a water supply that will increase only slightly despite a major drive to build desalination plants.

**“In 8 to 10 years, the ground water [in the Gaza Strip] won't be suitable for drinking.”
—Abdel-Rahman Sultan**

The region's water mismanagement, he added, also plays a crucial role: policies neglect adequate sanitation and wastewater treatment, and they allow agriculture and domestic demand to oversubscribe water sources (leading to widespread salination, contamination, and evaporation).

The level of the Dead Sea, for example, is dropping by a meter a year. Infants in the Gaza Strip are already afflicted with “blue baby” syndrome, attributable to high levels of nitrates in their water. Sultan also said that most cities in the West Bank depend solely on cesspools for their wastewater treatment.

“In 8 to 10 years,” he said, “the ground water there won't be suitable for drinking.”

To avoid the systematic contamination of whole aquifers, Sultan advocated for Jordan, Israel, and the Palestinians to look in a comprehensive way at pollution prevention. “The three nations meet regularly on water division and distribution,” he said, “but there is no discussion concerning pollution prevention. But this problem affects water supplies for the whole area.”

Good Neighbors Make for Good Water

Bromberg then detailed FOEME's year-old Good Water Neighbors Project, which focuses on sensitizing neighboring border

communities in the region to their shared water problems and then encourages sustainable solutions to those problems. “The focus on community is crucial,” Bromberg said. “We hope to use them as leverage for regional change.”

The Project is working with five transboundary pairs of Israeli and Jordanian or Israeli and Palestinian municipalities. A typical project involves a Palestinian community with a water shortage and an Israeli neighboring community that suffers from the Palestinian town's untreated sewage.

Bromberg explained that the Project's staff members come from the affected communities; these staff members educate their neighbors and elected officials about shared water realities between the paired communities and then work with these groups toward effective solutions. Between 20 to 50 “water trustees” from each town also commit to the effort.

“So much depends on the personal contact, on the dialogue we can develop between decision-makers,” said Bromberg. “We cannot provide more water for any community or state—we can only raise awareness in each community about water realities. When neighbors can lobby for neighbors and be advocates, that's where we become effective.”

He added that FOEME hopes to use concrete results from the Good Neighbors Project to launch a region-wide media campaign to show that the commitment is there if opportunities are created. FOEME also hopes to foster regional water solutions based on these pilot efforts.

In addition, FOEME also engages in ad hoc drives—such as its campaign to raise money to replace water storage tanks damaged or destroyed in the 2002 Israeli military incursion into the West Bank.

Politics, Agriculture, and Behavior

In response to audience questions, Bromberg said that FOEME has often found the Middle East political landscape less than cooperative with its efforts. “Different ministries and authorities at times have seen the diffusion of power as a threat,” he said.

“But municipalities have lost faith in their central governments recently, which helps us,” added Bromberg. “They're willing to take

initiatives on their own that they wouldn't have three years ago."

In addition, he said, Jordan has facilitated good movement toward regional cooperation on water issues since it signed its peace treaty with Israel.

Both speakers and audience members agreed that agriculture, which uses 50 percent of the region's water supply, is a major obstacle toward more efficient water use in the Middle East.

Bromberg said that the Middle East behaves "not as if we live in a desert, but as if we live in Europe. We can't make the desert bloom, and if we try we pay an incredible

price. We need to focus on sustainable water use and enjoying the sun, not being the breadbasket for the rest of the world."

Bromberg ended by calling for more regional eco-tourism instead of agriculture as well as for attention to population issues as crucial steps toward addressing water scarcity there.

"There simply is not room for everyone if we continue to behave in a water-rich fashion," Bromberg said. "The region's environmental community is only now aware of reducing population growth and immigration."

