Preface

Is demography destiny? The evidence in this book suggests that it is not. National institutions are far more important – good governance, lack of corruption, a strong educational system, support for women and families, social order, tolerance, the acceptance and encouragement of immigrants, technological dynamism – these types of factors can compensate for demographic weakness. Nonetheless, demography's role in global business is very important. The purpose of this book, therefore, is to bring this important but often overlooked topic to the center of the attention of current and future business leaders as well as management scholars. When making global investment decisions, demography cannot be ignored. It is not just a matter of the size and shape of markets or the availability and the cost of labor. It is much more fundamental. It is about the basic and underlying conditions in the countries in which businesses operate and the obligations they have to help them deal with the most pressing challenges countries face, whose origins often lie in the unique configurations that their populations have.

We first seriously engaged with demography and global business in an article we wrote with John Moloney for *Business and Politics* (2008) called “Youth bulges, busts, and doing business in violence-prone nations.” In this article, we empirically explored the well-known relationship between youth bulges and violence, but, more importantly, we attempted to ascertain whether this relationship weakens as youth bulges turn into youth busts. To our surprise and disappointment we found that controlling for variables representing such factors as socio-development, macroeconomics, technology advancement, government capacity, and geo-politics, when youth bulges are followed by busts violent conflict grew rather than diminished. In this study, we drew on the literature on political risk, which is well-developed within management studies, but otherwise found that demography had been overlooked in the management literature, especially in the context of global business. Thus, the goal of this book is to redress this imbalance and draw more attention to demography's importance for business leaders engaged in global commerce.

In carrying out this goal, we have relied on advances in demographic research in other fields – in particular economics, history, political science, and sociology – where demography has been studied for a very long time. In economics, for instance, an interest in demography goes back to Malthus, if not further. What we borrowed from other fields was important because of

the focus we found in these disciplines on the implications of nations being disproportionately old and young. This literature pursues the question of to what extent these conditions of population imbalance are assets or liabilities. It provides insights about how nations can and should be coping with these conditions and the degree to which their coping mechanisms can fortify them if they handle the situation well and weaken them if they handle it poorly.

These divisions of population among countries have been a result of major economic and political changes that the book explores. The legacy of colonialism, for instance, hangs heavily over many disproportionately young countries. These divisions among countries with regard to their populations have major implications for the world's future. In this book, we trace the gargantuan changes in population among nations that are looming, the major declines in the population of elderly nations and the substantial increases in the population that have taken place among young nations. These changes will alter the face of the world in the next twenty to thirty years. Countries like Japan, Germany, Russia, and China will be significantly smaller and countries like Nigeria and Egypt will be significantly larger.

In this book, we show that the world is currently divided among nations with people that are disproportionately old, young, and in the middle. Disproportionately old nations start with many advantages, but they suffer from demographic deficits that arise because of rapid declines in their working-age populations. As these deficits rise, they must find the resources to care for the elderly effectively while nurturing the young adequately. To manage, they need some combination of technological innovation that advances productivity with greater automation, and liberal immigration policies. On the other hand, nations with disproportionately young populations may enjoy a demographic dividend, but one that can easily turn into disaster if their institutions fail and their economies are not vital enough to provide worthwhile and productive jobs to an abundance of young people who enter the workforce. Nations in the middle have their own set of challenges that we associate with semi-authoritarian and authoritarian leaders and the widespread crime and corruption that many of them have confronted.

This book investigates the forces that are tied to demographic divisions among nations. It shows that the median ages among nations differ and such differences matter for the global business environment. Business leaders planning their companies' future must take into account these demographic differences. The world is increasingly divided among nations that are old, middle age, and young. These are useful categories for understanding changes in the global business environment. In bringing further attention to the issues of demography, we argue that global contests, often portrayed as a clash between civilizations or in ideological or religious terms, are also a consequence of these demographic differences.

The focus of the book, then, is on the relationship between the size, composition, and distribution of populations in various nations and their economies and politics. It considers the relative growth of elderly populations in richer nations, the relative growth of younger populations in poorer nations, and the relative stability of populations in countries in between. It examines the relationships between these population groups in various nations along with their economies and politics, to provide insights into the attractiveness of these nations for business investment.

The book examines how demography affects the opportunities and risks that global businesses confront now and in the future. The world is going to look far different than it does today. How will these changes affect the decisions that business leaders will make in global markets?

As we were completing the book, we read an article that appeared in the *Wall Street Journal* on February 25, 2021 about the partners at the consultancy McKinsey & Company who voted out its leader Kevin Sneader. The article suggested that it was because Sneader wanted to create controls that might prevent the firm from getting involved in controversial global projects. In recent years, McKinsey has been accused of taking on projects that included advising the U.S. Immigration and Customs Enforcement about cutting food and medical spending for detainees and hastening their deportations. It has been implicated for work it did with the Chinese adjacent to a camp where the Uighurs were interned. Other problematic engagements were assisting OxyContin maker Purdue Pharma L.P. and other drug manufacturers in aggressively marketing opioid painkillers and playing a central role in the rise of Saudi Crown Prince Mohammed bin Salman.

These negative involvements by business in the world are the kind that we hope this book is designed to sensitize businesses to avoid. If they become more aware of the demographic divisions in the world they are less likely to engage in undesirable actions. They are more likely to play a constructive role in sustaining countries in the stages of their demographic evolution.

Businesses should act to strengthen global institutions. They should take on the task of bringing to countries enhanced stability, not increasing disorder. It is in their self-interest to do so. They must assist countries in many ways. At the top of our list is that they must help countries acquire the better health, welfare, and educational systems they need. To be fair to McKinsey in some of its engagements, it has played this role. Businesses should promote the rights of women and minorities. They should work on behalf of immigrants and not against them.

This book suggests that business has a role to play in achieving these worthy goals. They also will find ample opportunities for business growth and markets, if they pay attention to them.

This book introduces the readers to the idea of the liability of aging which must be addressed through better treatment of immigrants and by leveraging technology. It introduces readers to the idea of a youth dividend if nations can establish better institutional arrangements, reduce conflict, and root out corruption.

We believe that awareness of demography should stimulate among business leaders a responsibility to deal with the problems that population change brings. With global investment and involvement come a unique set of business obligations that are tied to the demographic evolution of the countries in which businesses operate. When businesses make investments and become involved in aging nations, their responsibility is to support immigrants and spur technological change so that these nations can better cope. When they make investments and become involved in middle-age nations, their responsibility is to fight corruption and crime, support democracy and human rights, and oppose the over-reaching ambitions of authoritarian and semi-authoritarian rulers. When they make investments and become involved in young nations, their responsibility is to work against the violence, help bring resolution to conflicts, and provide humanitarian relief to the many victims, and there certainly are many, as this book demonstrates.

In sum, the lessons of demography in making global business decisions has never been greater, but the attention demography has received in management studies has not been up to the task. The book's main motivation is the lack of attention given to demography in standard assessments of the global business environment. Clearly, other factors must be considered, but demography is a powerful one that cannot be ignored, especially when the business goal is to engage globally on a long-term basis.

Below is a short summary of what a reader can expect in the book's eight chapters.

The book starts with an introductory chapter that captures insights from subsequent chapters about the unique conditions that prevail in different countries in which businesses may invest. This book views the world as being divided into older, middle-age, and younger nations and explores the implications of this division of countries for business leaders in these nations.

The book then moves on in Chapter 2 to a case study of Bayer's acquisition of Monsanto, a company dedicated to the proposition that Malthus was wrong and that through the use of technology, the global food supply will be able to keep up with demands of the world's people for nutrition. The obstacles that Monsanto and then Bayer which acquired Monsanto encountered along the way to reaching this goal – controversies around genetically modified seeds and the effects on human health of herbicides designed to work with genetically modified seeds – are highlighted.

Chapter 3 introduces the concept of a youth dividend that is possible in countries that have an abundance of young people entering the workforce. The best examples of a youth dividend are Japan and Asian “tigers”: Taiwan, South Korea, Singapore, and Hong Kong, which experienced spectacular growth in the 1980s. The chapter asks what are the conditions in which a youth dividend is operative and what are the conditions when its promise goes unfulfilled? The chapter also treats the problem of aging and how nations must deal with it through some combination of immigration, which adds to the working-age population, and technological advances that increase productivity.

Chapters 4–6 explore conditions in 20 nations in light of the promise of youth dividends and the problem of aging. The nations are divided by the median age of their populations. This principle of organization is unique and provides interesting points of comparison and insights into issues that nations face at different points in their populations’ demographic development. The older nations covered in Chapter 4 are Japan, Germany, Spain, Taiwan, Russia, the U.S. and China. The middle-age nations covered in Chapter 5 are Brazil, Turkey, Indonesia, Israel, Iran, and Mexico. The young nations covered in Chapter 6 are Syria, Egypt, Iraq, Yemen, Afghanistan, and Nigeria. This chapter also has a section on the Palestinian Territories. The argument of these chapters is that each stage in a nation’s demographic development presents a unique set of challenges which have implications for business leaders. For aging nations, it is how to deal with a declining workforce and at the same time support a growing number of older people. For middle-age nations, it is how to bolster their institutions to produce a youth dividend, since many of these nations confront institutional deficiencies emanating from aggressive semi-authoritarian and authoritarian leaders, crime, and corruption. For young nations it is how to eliminate the horrendous violence and conflict that plague these nations and put them on a peaceful path that will advance their progress.

Chapter 7 provides a deeper examination of the relationships between youth bulges in very young nations, youth busts in somewhat older nations, and violence. It grapples with the very important question of whether the world is likely to be a more peaceful place as it ages, for the aging of the world’s population at this point is inevitable. The empirical evidence that this chapter musters unfortunately suggests that violence is not likely to recede as the world ages, but that demographic transitions will cause disturbances that continue to stir up non-peaceful conflict resolution. These empirical results come from the study the authors of this volume previously published.¹ This study provided them with their initial motivation to better understand demography’s impact on business.

The final chapter more directly analyzes the impact of demographic disruptions on the investments of businesses in different countries based on the countries’ demographic characteristics. How should business leaders regard

signs of demographic change in these countries and make sense of them? This chapter argues that demographic change is likely to have a paradoxical impact. It is likely to both enhance the perception of opportunity and to increase the fear of failure. This chapter charts out some of the reasons that this paradoxical reaction will take place in aging and youthful nations. It reveals that there are good reasons for finding opportunity in these nations, but there are also good reasons for fearing that any business initiative taken might fail.

An afterword for this volume can be found online at: <https://www.e-elgar.com/textbooks/marcus>.

NOTE

1. Marcus, A.A., Islam, M. and Moloney, J., 2008. Youth bulges, busts, and doing business in violence-prone nations. *Business and Politics*, 10(3), pp. 1–40.