



Special Issue

Asia's Intergenerational Challenges

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Key words: Asian Economies, intergenerational, economic policy, sustainability

The coming decades will present significant intergenerational policy challenges, as well as opportunities, for economies throughout the Asia Pacific region.

Economic prosperity and its sustainability will be influenced by how we respond to a number of core drivers, including the re-emergence of Asia as a major centre of the global economy, rapid demographic change, environmental pressures and technological advances.

These drivers will put additional pressure on the fiscal sustainability and on the institutions that have contributed greatly to economic performance to date. These things are often taken for granted but will have significant implications for future economic prosperity throughout the region.

Already a growth engine of the global economy, Asia will be home to the largest middle-class population in the world before too long. The associated opportunities and the risks make it necessary that we have the right global, regional and country policy frameworks.

The Asian century will also see rapid demographic change. The ageing of populations throughout the region and changing community expectations about the provision of public services will see increased demand for health and aged care. The fiscal policy

responses to these pressures are yet to be figured out.

Another changing feature of this century will be climate change. To avoid catastrophic climate change, substantial and sustained reductions of greenhouse gas emissions are needed. Unfortunately, some climate change will now be unavoidable, and economies will also need to adapt to higher temperatures.

How countries, such as China, transition to high-income status will also be crucial. Policy frameworks that help facilitate industrial upgrading, innovation and investment in human capital will be important to drive productivity and avoid the so-called middle income trap.

Many countries will be watching how Japan handles a shrinking and ageing population and the fiscal pressures that come with financing a higher dependency ratio. South Korea, China and others will be facing a similar demographic crunch in the near future.

China's ability to clean up its environment will be crucial for the Chinese population but also China's neighbours. Other countries like Australia will be finding ways to innovate and lift productivity to keep living standards growing after an unprecedented commodities boom.

These are the issues with which this special issue of Asia and the Pacific Policy Studies deals. The papers are the result of a multidisciplinary conference organised by the East Asian Bureau of Economic Research at the Crawford School of Public Policy in 2015. Papers were discussed in depth by

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leading scholars and senior government officials. Policy practitioners usually do not get time to think in depth about longer-term issues and especially not across a range of areas.

The starting point in thinking about sustainability and welfare is to shift our focus from measuring output, or GDP, in annual flows, to taking account of stock of assets—the productive base for wellbeing. Wealth

accounting can give us more insight into which countries are investing for the future as opposed to using up valuable assets just to boost short-term growth.

One common theme highlighted in the papers is that the economies throughout the region need to begin preparing for the challenges and opportunities of the future. The policy actions taken or missed today will have a significant bearing on future outcomes.