What is a global city?
A global city is, as the name suggests, one that forms part of a global network of dominant global cities. The initial idea of a global city arose from the observation that financial and so-called advanced producer services, such as specialised international legal and accounting services, management consulting and innovative financial services, which had a dominant role in the global allocation of capital and other resources, had centralised their activities in just a few cities. When the concept was developed in the 1980s, the heavy concentration of these services in three cities, New York, London and Tokyo, led to their nomination as global cities (Sassen 1991).

Globalisation, the product of new technologies and deregulation of trade and capital markets, has changed the role of cities and those that have changed in response to these forces have continued to prosper. Melbourne is amongst those that have adjusted and accordingly prospered.

Increasing globalisation and the associated rapid expansion of financial and advanced services led to many other cities, including Melbourne, being included in the list of global cities. These cities are linked by a myriad of transaction flows in finance and other information to form a network of centres of highly concentrated economic activity (Friedmann 1986).

The key to the development of these services was the increased demand from business and government for highly specialised services, which were more likely to be developed in larger cities with larger, more specialised, knowledgeable, better educated and highly-skilled labour markets (Duranton and Puga 2004).

These cities have a predominant role in the allocation of capital and the attraction of large numbers of highly-qualified migrants. The labour force in world cities has become dichotomised between highly-qualified professionals on the one hand, and low-skilled workers in manufacturing, personal services and hospitality industries on the other.

Productivity is higher in larger cities. OECD estimates suggest that productivity increases by 2–5% for a doubling of the population. That doesn’t sound like a lot, but average productivity for inhabitants of a major city could be 20% higher than for an urban centre of 50,000 (OECD 2015, p. 47). These estimates are based on the wages of individuals standardised for educational and compositional effects (Ahrend et al. 2014).

Innovation is more likely to occur in larger cities, and there is greater and more rapid dissemination of new techniques in informal clusters of knowledge workers, such as in the IT sector. A ranking of world cities by the World Intellectual Property Organisation (WIPO) has cities such as Tokyo, Shenzen/Hong Kong, San Francisco, Boston and Seoul included in the Top 10 (WIPO 2017). These are all large cities, but the ranking is different from that based on financial and other advanced services referred to above, emphasising the many dimensions of a global city.

Concentration of economic activity in large cities
Maps of the world were created by William Nordhaus and colleagues based on a 1990s G-Econ database which illustrated the heavy concentration of total economic activity in large cities (Yale University 2017). This shows the capital cities of Australia and major cities of the United States as veritable lighthouses of economic activity.

For Australia, each of the capital cities perched on the coastal rim has a high intensity gross product by comparison with nearby regions and the rest of Australia. The United States presents a more complex picture. It shows the importance of the north-east cluster of cities centred on New York, and the Californian west coast cities of Los Angeles and San Francisco, and surrounds.

The latest national accounts for 2016/17 emphasise the economic importance of the cities of Sydney (24.7% of GDP) and Melbourne (19.2%) generating close to half of national GDP (SGS 2017).
How do we measure a global city?

Globalisation and World Cities Research Network (GaWC) World City rankings

Establishing the empirical basis of the idea of networked global cities is proving challenging. Peter Taylor and colleagues at Loughborough University have spearheaded the Globalisation and World Cities Research Network (GaWC) (<http://www.lboro.ac.uk/gawc/>) and have produced a series of data sets based on the location of the offices of the world’s largest companies in the largest cities (Derudder and Taylor 2017). Sydney, indicative of its role as Australia’s international gateway and home of many regional headquarters, was ranked 9th in the world ahead of Beijing ranked 10th in Derudder and Taylor’s 2013 ranking, while Melbourne was ranked a comparatively lowly 35th (2016, Table 2). This GaWC listing has been subject to academic criticism, not least because the connectivity measure has reflected the importance of the office in the company hierarchy, not actual intercity interactions.

Economist’s Global Liveability Index

Outside the confines of the academic literature, a number of private sector organisations have developed indices to measure the comparative attributes of the world’s major cities. Perhaps the most quoted, at least by Melburnians, is the Economist’s Global Liveability Index (2017) which places Melbourne as the world’s most liveable city. The measures used in the index are somewhat narrow, but doubtless liveability is important for cities to attract the world’s best talent, one aspect of a successful global city.

AT Kearney’s Global Cities Index

One index which attempts to be more comprehensive in ranking global cities is the Global Cities Index, produced by AT Kearney, a global management consulting firm. The index comprises five dimensions: business activity, human capital, information exchange, cultural experience and political engagement (Kearney A.T. 2017). While it lacks a strong analytical base, it is intuitively attractive for its more complex view of what comprises a global city.

This index places greater emphasis on innovation and the quality of human capital which are important features of global cities. Other measures such as the quality of political engagement and cultural experience are increasingly acknowledged as important in providing a stable environment for business and for attracting the best and brightest talent. Most of the cities tend to be large (more than 5 million people) reflecting the agglomeration advantages of size but not necessarily the largest. Some are relatively small and specialised, such as Brussels (2 million) and Berlin (3.6 million) (UN 2014).

Melbourne's global city characteristics

These indices by AT Kearney and JLL are seeking to capture the additional dimensions of Melbourne’s role as a global city beyond the simple analysis of firm hierarchies. For a mature advanced economy city, Melbourne has a high rate of population growth arising...
from relatively open migration policies that are designed to recruit well-qualified individuals irrespective of ethnic origins. This has given Melbourne, particularly its inner city, an exciting diverse and cosmopolitan feel. It has provided a major boost to a broad range of highly skilled services. Education has become Victoria’s largest export industry ($9.1 billion in 2016–17), serving international students attracted to high-quality tertiary institutions.

Melbourne as a destination

International visitor nights in Melbourne grew at 8.1% per annum over the last decade (Tourism Research Australia 2017, p. 4). Melbourne has become an important visitor destination as shown by attendance at international events such as the Australian Open with 743,000 attendees in 2018 (AusLeisure 2018), Melbourne Cup carnival 310,000 in 2017 (Victoria Racing Club 2017) and the Boxing Day Test 253,000 (Cricket Australia 2018), with a similar number at the Grand Prix (Austadiums 2016). Melbourne has the highest attendance ratio for cultural events of the Australian State Capitals (ABS 2015) with the National Gallery of Victoria pulling in 2.8 million visitors in 2016/17 (NGV 2017, p. 12).

Melbourne is well served by its sea and airport. The Port of Melbourne is the largest container port in Australia with 36% of the nation’s container traffic growing at a steady 2% per annum over the last decade (Port of Melbourne 2017). International passenger numbers passing through Melbourne Airport grew at an average of 8.4% per annum over the last decade to 2016/17, almost twice the rate of the larger Sydney Airport (BITRE 2018).

Advanced services not manufacturing now drive Melbourne’s economic growth

Melbourne’s industry structure has changed radically since the turn of the century. Manufacturing has declined and professional, health, education and financial services have grown rapidly.

Figure 3 shows that the key drivers of the economic transformation of Melbourne over this period are a range of services – health care (especially in the second period) adding 160,000 jobs, professional services (130,000) and education (104,000). Accommodation and food services, and construction also grew strongly. Manufacturing lost jobs (62,000) during the period. Growth in financial services stalled. Melbourne has become a knowledge economy increasingly dominated by high-skilled services.

Services exports have grown more strongly than goods exports

These changes both reflect and are driven by global trends. The export of services has grown by an average of 7.7% per annum since 2000 compared with only 1.6% per annum for goods exports. Although this trade data is available for Victoria, and not Melbourne, the majority of these services are supplied from Melbourne. The university sector is the most significant component of the export of education services.

Education now the largest export

Education services are the largest Victorian export sector and the University of Melbourne and Monash University are amongst the state’s largest exporters. Melbourne universities derived 25% of operating revenue from overseas students with both the University of Melbourne and Monash University gaining over half a billion dollars each.

This is an extraordinary transformation over the last decade and a half. It reflects the demand for high quality tertiary education from Asia – China and India in particular. It is at the very core of the changed role of Melbourne as an internationally-oriented global city.
The university sector has a significant role in developing Melbourne as a global knowledge city. Many of its international students stay or find ways of returning, helping to enrich the city’s skill base.

Melbourne’s diverse population helps it grow and gives it a cosmopolitan feel

Research by Sanderson and others show that world cities tend to have larger and more diverse populations (Sanderson et al. 2015). By any measure, Melbourne has a large and diverse migrant population. At the 2016 ABS Census, 40.2% of Melbourne’s population was born overseas. Traditionally, the majority of migrants were from the UK or other parts of Europe. But in 2016, migrants born in India and China represented about the same share as the UK, each about 9%: the shares from other Asian countries were also prominent. This represents a major shift in the background of those now living in Melbourne.

Recent migrants have high qualifications and are likely to be managers and professionals

Of particular significance is that on average, recent migrants have higher education qualifications, and are better skilled than those Australian born. This is the result of the skilled migration program, which is a significant component of the migrant intake. Increasingly non-Australian born occupy higher occupations than Australian born – a major shift from the post-war migration program.

Figure 5 compares the education level for those born in Australia, with those born in the larger source countries. In general, the proportion of non-Australian born with bachelor degrees is higher, and those with postgraduate degrees much higher than for Australian born. A high proportion of those from India and China have higher degrees.

These high education levels provide increased access to managerial and especially professional jobs. About 25–30% of the foreign-born from these selected countries work in professional occupations. Some countries, such as Malaysia, have a considerably higher percentage than Australian born (see Figure 6). The proportion in managerial occupations varies between the source countries but is in general about at the Australian level.

![Figure 5: Education level by place of birth, Melbourne, 2016. Source: ABS Census 2016.](image)

The higher skill levels of recent migrants is a distinct advantage for Melbourne. There is a sizeable literature on the generally beneficial economic effects of more diverse communities (Ottaviano and Peri, 2006; Nathan 2011; Bellini et al., 2013; Cooke and Kemmeny 2016). These advantages arise from such factors as increased and new skills, improved entrepreneurialism and innovation, that are of benefit to both long-term residents and recent arrivals alike.

These new residents often have strong global links to family and business networks in their originating countries that gives them a global perspective.

How innovative is Melbourne?

Melbourne’s growth, diversity and high energy levels give an impression of an innovative city. However, the standard measures of innovation, such as the number of patents filed, are less flattering. WIPO ranks Melbourne at 60th behind Sydney at 44th and many other global cities in the United States, Europe, Japan and China that are ranked below Melbourne in the Kearney index referred to above (WIPO 2017). To some extent this reflects the narrow measures adopted, but also some well documented weaknesses. Melbourne’s strengths are its high quality education and research, particularly medical research. However, Melbourne is not so successful at converting this high quality research into economically valuable products and services.

![Figure 6: Occupation by place of birth, Melbourne, 2016. Source: ABS Census 2016.](image)
Melbourne’s prospects as a global city

Will Melbourne continue to rise through the ranks of global cities as predicted by AT Kearney’s Global Cities Outlook Index? There are many positive signs. Melbourne is growing rapidly. Its connections with the world’s global cities are strong through its skilled migration program and large globally-orientated education sector. It has successfully managed a transformation from a manufacturing hub to a rapidly growing sophisticated service centre. Its capacity to generate innovation outcomes will improve as its international partnerships strengthen. This will require a continuing investment by government in education, research and innovation, and the global orientation of its population.

Acknowledgement

The author wishes to thank Alison Welsh and Margarita Kumnick for their research and editorial assistance.

Student Activities:

1. Outline the advantages that global cities (world cities) have for being centres of financial and advanced services.

2. World cities are powerful centres of economic and cultural authority.
   - Using the information in this article, discuss the extent to which the characteristics of Melbourne fulfil this criteria.
   - Use the internet, and your own knowledge, to provide additional evidence that would support Melbourne’s designation as a global, or world, city.

3. How has international migration contributed to the importance of Melbourne as a global city?

4. Discuss why there is variability in the ranking of Melbourne as a global, or world, city.

5. a) Explain why the operation of global networks are important in the development of a global, or world, city.
   b) Using the internet, and information from this article, create an infographic of the global networks (transport and technology based) that connect Melbourne to the rest of the world.

6. Most global cities tend to be more than 5 million people reflecting the agglomeration advantages of size.
   - Explain the phrase ‘agglomeration advantages of size’.
   - Suggest reasons why agglomeration may also bring economic disadvantages to the large cities.

References and further reading


Australia’s population is ageing. Some people think this is the greatest economic challenge of the next half-century, threatening to overburden the productive members of society with too many dependents. Others see ageing as a triumph of societal development, symptomatic of the near elimination of childhood deaths and a great increase in life expectancy, and heralding many beneficial societal changes. How do we evaluate these arguments? What policy responses should governments responsibly consider?

What causes demographic ageing, and can it be avoided?

Demographic ageing refers to a shift in the age profile of society toward older ages. It is often reported in terms of an increase in median age (the age at which half the population is younger, and half is older), but this is not always a useful criterion for comparing the impacts of ageing on different communities, especially where the age profile is significantly affected by migration. Ageing is one of the impacts of the ‘Demographic Transition’. As such, it comes as part of a package: we can’t choose to have a stable, sustainable population with low child mortality and long lives, without also having an age structure which is old by historical standards. Remember that ‘historical standards’ are based on undesirably high mortality rates. People are neither surprised nor alarmed that longevity has reached unprecedented heights, yet they often express surprise and alarm to learn that our community is ageing.

From Figure 1, we can see that ‘ageing’ is a feature of the stabilising phase of the transition, not a process that will go on and on until everyone is too old and frail to look after each other. Do we want to avoid demographic ageing? The only alternatives are to stay in Stage 3, and incur all of the negative consequences of rapid population growth, or to return to Stage 1, where high rates of death by disease, famine or war cull the older people for us. Not much of a choice.
growth accelerates sharply. The age structure is still a pyramid, but now it is through the dilution of older cohorts by ever-larger newborn cohorts rather than by attrition from premature deaths.

Stage 3 is characterised by the fertility transition. When the size of families is reduced, the gap between births and deaths shrinks and hence population growth slows. The age structure starts to become more straight-sided at the bottom, or even curving inward, but has a long taper at the top as the old pyramid structure works its way up the ages. This process of ‘filling up the generations’ keeps the population growing, even after fertility is below two children per woman. It is called ‘demographic momentum’.

The fertility transition is not an automatic process: lower death rates don’t directly cause lower birth rate, although they are a pre-requisite. Without efforts to change cultural norms, there can be a considerable delay between the fall in mortality and the fall in fertility. The longer the delay, the more the population grows. If it grows fast or far enough, overpopulation will start to increase the death rate again. So it is very important that the fertility transition does happen soon enough, fast enough and far enough (i.e. reaching fewer than two children per woman) to avoid the deprivations of overpopulation. Stages 2–3 can’t go on for ever, they are inherently unsustainable because of population growth. So either the population is allowed to stabilise with low birth rates, or its growth will be stopped by higher death rates, returning to Stage 1.

Stage 4 describes a stabilising post-transition society. The death rate begins to rise simply because there are more old people. When it matches the birth rate, population growth ends. If the fertility rate stays around the replacement rate (just above two children per woman) or there are just enough immigrants to top up each generation, then the population could become stationary (not growing) and stable (having a roughly constant age structure).

Stage 5 characterises a declining post-transition society. If fertility remains below replacement, and is not augmented by immigration, then the population will shrink gradually, due to more (deaths + emigrants) than (births + immigrants). This can also produce a stable age structure, slightly older than the stationary population, but not further ageing unless longevity continues to increase. A country might stay in Stage 5 for long enough to rebalance its resource needs with the carrying capacity of its land, and then choose to increase fertility or immigration and move back to Stage 4.

How far will societies age?

As we’ve seen, ageing is a self-limiting process. But will it reach a level that will cause society serious stress? We can expect the current proportion of older people to roughly double. But we also expect higher workforce participation of both traditional ‘working age’ people and over-65s, as both health and education are improving and women are catching up with men.

Table 1 gives age profiles for some different scenarios. The Productivity Commission (2013) projected over-65s rising to 29% of the Australian population by the end of this century, almost double today’s level. But this projection assumes steady population growth to over 55 million. Without this population growth, and assuming the same mortality levels, over-65s would reach 30–32%, depending on the balance of births and migration. Almost half this increase is due to the assumed increase in life expectancy, which is not guaranteed. The rest is due to ‘filling up the generations’, moving from a Stage 3 to Stage 4 age profile.

A population with more migrants and fewer births will have a higher proportion of people of ‘working age’, but also a higher proportion of retirees, because migrants also grow old. Only the proportion of children is reduced. So migration can’t be used to keep the population young, although it might marginally boost the working age proportion.

If fertility stays below replacement and the population shrinks, the proportion of older people stabilises at a higher level, but this is partly off-set by a lower proportion of children. United Nations projections for Japan and Korea, for instance, anticipate over-65s stabilising around 35%, with children around 13%. Only if fertility remains very low, and life expectancy very high, does the ‘working age’ proportion fall below 50%.

Increasing the average age of retirement is a very effective means of adjusting the proportions of ‘working age’ and ‘retirees’. A shift from retirement age 65 to 70 increases the working age cohort by around 5.5%, and decreases the retirees accordingly. This doesn’t necessarily mean changing the law on pension age: as people are living longer, many choose to retire later. In Australia, average retirement age has increased by around two years in the past decade. Already over 20% of people over 65 are in paid employment in Australia.
as in Japan. This is not necessarily a good thing: if the labour market is oversupplied, as is the case in Australia now, it means fewer jobs being made available for young people, hence more unemployment and underemployment. But it illustrates the capacity to adapt, if ageing does tighten the job market.

Table 1. The age distribution associated with current and possible future population scenarios.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Assumptions</th>
<th>Age distribution</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Australia in 2060</td>
<td>TFR = total fertility rate, the average number of children women have in their lifetime. NOM = net overseas migration, the number of long-term arrivals minus long-term departures, per year per 1000 of the resident population.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Australia in 2040, high population growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Stable, stationary population with replacement fertility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Stable, stationary population with low fertility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Low fertility, gradually declining population (45% or less)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Very low fertility, rapidly declining population (0% or less)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We also expect that a tighter labour market will result in better wages. Rapid population growth, on the other hand, can mean that job creation struggles to keep up, and wages are depressed. In Figure 2B, we find that there is a significant relationship, where countries with high rates of population growth are becoming more unequal.

Most economic models agree that keeping the working age proportion up through high population growth will not only lower wages but also lower productivity because of the dilution of capital. Australia’s urban congestion is one example, where crowded infrastructure is hampering the economy. But if models assume that less ageing means more people actually working, they predict that high population growth boosts economic growth marginally. Without this assumption, ageing or even declining populations not only have higher GDP per person, but don’t have to waste as much of it building lots of new infrastructure.

It is always good to remind ourselves of the limitations of GDP as a measure of wealth, not to mention wellbeing or environmental resilience. We need to be asking whether extra economic activity is delivering more of the things we want, or merely running in order to stand still – building more rubbish tips, commuting longer distances, and taking out bigger mortgages to pay for ever-more expensive houses.

Will we be able to afford the pensions and aged care?

The Productivity Commission’s 2013 report ‘An Ageing Australia: Preparing for the Future’ estimated that pensions, health and aged care would cost government budgets an extra 5.7% of GDP by 2060, a 75% increase over 2012 levels. However, most of the healthcare increase is due to increasing treatment costs, not to ageing. Excluding this, we get 4% of GDP, or without population growth, around 5.3%. However, at the same time, several other government expenses would decline. With a smaller proportion of children, education costs are reduced. With greater employment, income
support for working-age people is lessened. Better employment prospects also tend to mean lower levels of crime. In particular, a slower rate of population growth means a much lower infrastructure bill, potentially saving over 3% of GDP.

Focusing on the ‘old age dependency ratio’ (the ratio of people over 65 to those of ‘working age’) is likely to exaggerate the rise in health and aged care costs, because people are staying healthier longer. According to the Australian Institute of Health and Welfare (AIHW 2017), between 2003 and 2015, years of life lived without disability increased by 3.9 years for males (to 63.0 years), and by 3 years for females (to 65.2 years). This is a more rapid gain than longevity, meaning that the average period with disability shrunk. Even among the disabled elderly, only one in three required daily help. The majority of disability care is provided by family members in the home, and the majority of those carers are also people over the age of 65. Only around 5% of people over 65 are in residential care. Although people are living longer, this proportion is not increasing because people are becoming frail at an older age.

These trends have been observed internationally. Sanderson and Sherbov (2010) argued for alternative ways of measuring ageing, summarised in Figure 3. The need for health services is concentrated in a person’s final years of life, so the proportion of people likely to die within a given period is a better measure of health system burden than proportion exceeding a given age. Likewise, the proportion in need of aged care services is related to disability, rather than age. By comparison, the ‘old age dependency ratio’ is seen to give an overly pessimistic measure of ageing.

![Figure 3. Alternative ways of measuring ageing, comparing the focus on age (old age dependency ratio) with a focus on health service needs (proportion of adults with less than 15 years life expectancy) and a focus on aged care needs (proportion of adults with a disability). Data from Sanderson and Sherbov (2010).](image)

Dependence of people over 65 on public pensions has also declined from around 75% to 65% in the decade to 2015 (ABS, 2017). This is partly due to deferred retirement but also to superannuation, which became compulsory in most work categories from the early 1990s. It should be noted that Australia’s aged pension is modest, much less generous than the norm in Europe. Some European countries may need to adjust pension schemes to accommodate ageing, but in Australia the changes appear easily manageable.

**What should government policy do?**

So far, the Australian government’s main response has been to boost the population growth rate, mainly through higher immigration but also encouraging higher births with the ‘baby bonus’. The rationale was based on the misconception that more ‘working age’ people meant more economic growth (Australian Treasury, 2015). This was despite repeated findings of the Productivity Commission, that:

“Immigration delays rather than eliminates population ageing. In the long term, underlying trends in life expectancy mean that permanent immigrants (as they age) will themselves add to the proportion of the population aged 65 and over.” (Productivity Commission, 2016)

After 13 years of elevated population growth, Australia is showing many signs of strain. A number of indicators suggest that the labour market is severely oversupplied. There are more applicants per job and more graduates not employed in their discipline (Department of Employment, 2017). Wages are not keeping up with inflation, and the wages share of GDP is at an all-time low. Income inequality, youth unemployment, under-employment, and insecure and exploitative work arrangements are all rising. Australian household debt has leapt from relatively low to among the highest in the world, due to rapid housing inflation. Homelessness has grown, and affects a wider range of people than previously, including young families and old women. All levels of government have escalated debt in an attempt to keep pace with infrastructure needs. As a result, they have cut back on social and environmental programs. Amenity of major cities is deteriorating as congestion worsens. While population growth is credited with supporting GDP growth, per capita measures are performing badly (Aird, 2017).

Some of these changes are directly counter-productive for addressing ageing. The Australia Institute has demonstrated that wage suppression lowers superannuation savings and represents a time-bomb for the pension bill (Stanford 2017). Large mortgages have the same effect. The extra infrastructure cost alone are the main cause of State government debt. Ending population growth would save tens of billions per year in infrastructure – equivalent to the whole pension bill.

The Australian government has also scheduled an increase in the pension age, from 65 to 67, between
2017 and 2023. This will initially provide savings on pensions, but at the expense of youth unemployment. As long as we have more job seekers than jobs, it is better that those without work are happily retired and constructively engaged in society, than disenfranchised youth.

As the Productivity Commission (2013) recommends, it is better to accommodate demographic change than to try to avoid it. Innovation in aged care is steadily improving independence of older people. We could loosen our obsession with GDP and learn to measure success in different ways, acknowledging unpaid work and environmental values.

Right now, there are opportunities to reduce costs through better government programs. New Zealand reformed its drug pricing system a decade ago, from one much like Australia’s Pharmaceutical Benefits Scheme to one less beholden to drug companies. They now spend less than half as much per person on drugs as Australia, for the same health outcomes. For the 73 most prescribed drugs, they pay an eighth the price Australia pays. Following New Zealand’s example could save our government over $1 billion per year (Murray and Frijters, 2017).

Following New Zealand’s example on pensions and superannuation would have even bigger dividends. Currently, Australia’s tax concessions for voluntary super contributions cost over $40 billion per year – as much as the pension bill – mostly benefiting the richest people. In contrast, our means-tested pension discourages both work and savings by low-income people. Without the tax breaks, a universal pension (not means-tested) could be more generous and still save money. Under this system, New Zealand has lower poverty and much higher workforce participation of older workers, whose taxes further offset pension costs (Ingles, 2015).

**Are there advantages to ageing?**

The fear of demographic ageing taps into people’s natural anxiety about their own decline in old age. But this is a false association. Individuals’ experience of ageing will likely continue to improve into the future, and an older society may not have greater disability or illness.

Older citizens contribute to society in many ways (Betts, 2014). In paid work they provide experience and mentorship. They contribute unpaid work in caring for relatives and are the mainstay of community organisations. Their patronage of the arts and local tourism creates quality jobs and widens the variety of diversions available to people of all ages. They strengthen social cohesion with relationships across generations.

Kluge et al. (2014) studied the societal changes associated with ageing in Germany, and concluded that positives outweighed the negatives. An older society may be:

- Smarter, as more people are better educated, improving productivity and governance.
- Cleaner, with less pollution and fewer greenhouse gases.
- Richer, through the concentration of inheritance.
- Healthier, having a greater proportion of life in wellness.
- Happier, with less competition and more leisure in the life cycle.

We are often led to believe that a stable or declining population breeds recession. Yet Germany has been the powerhouse of Europe, and Japan surpasses Australia on many measures. In 2011, Financial Times’ Asia editor David Pilling said, “If the business of a state is to project economic vigour, then Japan is failing badly. But if it is to keep its citizens employed, safe, economically comfortable and living longer lives, it is not making such a terrible hash of things” (quoted in Williams, 2011).

We might well ponder, what is Australia’s business of state, and how we should measure it?

**Summary**

In this article, we have addressed a number of popular myths:

**Myth 1:** that ageing will go on until there are not enough workers left to look after us.

**Myth 2:** that increasing immigration will keep us young.

**Myth 3:** that a smaller proportion of working-age people means fewer people actually working.

**Myth 4:** that pension and health care costs will blow the budget.

**Myth 5:** that high population growth will ease fiscal pressures.

There is no doubt that the demographic transition
has conferred enormous benefits on modern society. It reduced the risk of dying young, and has liberated women to have careers and influence outside the household. By reducing population growth, it enabled more reliable supply of food and higher standards of infrastructure per person, from housing to factories, roads, sewers and power stations, hospitals and schools. Older societies tend to be more cohesive, with low crime and strong civil society. Demographic ageing is one part of a package which has many more benefits than costs.

References:


