

**IMF Working Paper**

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**Subject: Population Aging in Japan: Demographic Shock and Fiscal Sustainability**

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**CORRIGENDUM**

The cover and abstract pages of WP/01/40 (April 2001) are being reissued to reflect the final version of the paper, including its correct title.

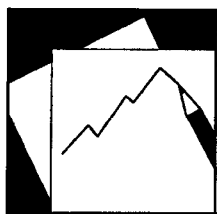
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# IMF Working Paper

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## Population Aging In Japan: Demographic Shock and Fiscal Sustainability

*Hamid Faruquee and Martin Mühleisen*

**IMF Working Paper**

Research and Asia and Pacific Departments

**Population Aging in Japan: Demographic Shock and Fiscal Sustainability**

Prepared by Hamid Faruquee and Martin Mühleisen<sup>1</sup>

Authorized for distribution by Peter Isard and Jonathan D. Ostry

April 2001

**Abstract**

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The paper develops a general equilibrium framework to examine the economic implications of population aging in Japan. Particular attention is paid to aggregate saving behavior which is modeled on the basis of empirical age-earnings profiles using a life-cycle approach. The paper's objectives are to (i) estimate the output loss caused by demographic changes and assess the impact of aging on Japan's government finances; and (ii) compare fiscal policy options with respect to their effects on output growth and economic welfare.

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	Contents	Page
I.	Introduction.....	5
II.	Changing Demographics and the Fiscal Problem.....	6
	A. Demographic Trends.....	6
	B. The State of Government Finances .....	8
III.	Analytical Framework .....	10
	A. Age-earnings Profile .....	10
	B. Pension System .....	13
	C. Fiscal Accounts .....	14
IV.	The Impact of Aging.....	14
	A. Growth and Saving.....	15
	B. Fiscal Impact .....	16
V.	Policy Analysis .....	17
	A. How to Address the Aging Problem? .....	17
	B. Speed and Composition of Fiscal Consolidation .....	20
VI.	Conclusions.....	23
	References.....	29
	Tables	
1.	Old-Age Dependency Ratios: Comparative Projections.....	8
2.	General Government Finances, 1999.....	9
3.	Simulated Effects of Population Aging in Japan .....	15
4.	Comparative Effects of Demographic Changes in Japan .....	27
5.	Sensitivity Analysis: Social Security Indicators, 2050 .....	28
	Figures	
1.	Japan: Demographic Trends .....	7
2.	Japan: Age-Earnings Distributions, 1970–1997 .....	11
3.	Japan: Macroeconomic Effects of Social Security Reform .....	19
4.	Japan: Macroeconomic Effects of Fiscal Consolidation Strategies .....	22
5.	Japan: Birth Rate and Population Growth Rate, 1990–2150 .....	20
6.	Japan: Elderly Dependency Ratio, 1999–2150 .....	20
7.		
	Appendices	
I.	Demographic Impact and Counterfactual Scenarios.....	25
II.	Sensitivity Analysis .....	28