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The demographic environment: Notes on eight economic, social and cultural threats

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Abstract

This article aims to highlight eight implications presented by the demographic environment in the economic, social and cultural fields. More specifically, we will deal with how the ageing of the population, evident in the advanced countries, infers a set of threats related to: 1) The sustainability of the social protection system, 2) The maintenance of public services, 3) The economic dynamism, 4) The subjective well-being, 5) The outcrop of "new brains", 6) The persistence of cultural identity, 7) The hustle and bustle of vibrant towns and villages, and 8) the strength of social capital and civil society. From the synthesis exposed, this article concludes that the scenario of strong demographic depression present in a large part of the developed countries, clearly harms their socio-economic and cultural sustainability.

Resumen

El presente artículo tiene como objetivo destacar ocho implicaciones que presenta el entorno demográfico en el campo económico y social y cultural. En lo más concreto, trataremos cómo el envejecimiento de la población, palmario en los países avanzados, infiere un conjunto de amenazas relativas a: 1) La sostenibilidad del sistema de protección social, 2) El mantenimiento de los servicios públicos, 3) El dinamismo económico, 4) El bienestar subjetivo, 5) El afloramiento de "nuevos cerebros", 6) La persistencia de la identidad cultural, 7) El rumor de los pueblos y villas vibrantes, y 8) La fortaleza del capital social y la sociedad civil. A partir de la síntesis planteada, este artículo concluye que el escenario de fuerte depresión demográfica presente en buena parte de los países desarrollados, perjudica con claridad su sostenibilidad socioeconómica y cultural.

Keywords: Demography, economic dynamism, public services, subjective well-being, cultural identity, social capital.

Palabras clave: Demografía, dinamismo económico, servicios públicos, bienestar subjetivo, identidad cultural, capital social.

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Introduction

In recent times, the "demographic problem" has gained strength and has been consolidated in public opinion. The media and the different social agents are very aware that this is one of the great challenges facing our society. Every day we hear and read news and articles related to this phenomenon.

As is well known, demography studies those processes that determine the formation, conservation and disappearance of populations. Such processes, in their aggregate form, are those of fertility, mortality and mobility. The variety of combinations of these phenomena determines the degree of changes in the population, both in its numerical dimension and in its structure (Livi Bacci, 1993).

In this article we address the social, economic and cultural consequences that derive from the current scenario of fertility and mortality —demographic implosion and denatality in the words of Vallin (1995)— due to the effect that this infers on the numerical dimension and the structure of the population.

In the case of Spain, while life expectancy has increased (82.71 years in 2015) and the stratum of octogenarian people has risen significantly, the crude birth rate (number of births per thousand inhabitants) has significantly reduced, going from 18.7 in 1975 to 8.8 in 2016 (INE, 2017). As for the fertility rate (the number of live births for each group of 1,000 women between the ages of 15 to 49 during a given year), it was placed at 1.32 in Spain in 2015, whilst in Europe it neared 1.6 (Statista, 2017). This phenomenon means that we are far from the replacement fertility (2.1) which ensures the maintenance of the population, under stable conditions, that is, unrelated to epidemics, catastrophes and wars. With this situation in the demographic terrain, the forecasts indicate that in the year 2050 people over 65 will represent 30% of the population (Fernández et al., 2010).

The damage that the ageing population inflicts on the pension system is a matter of public knowledge. However, the consequences are multidimensional and are linked to economic development, the sustainability of public services, the scale and structure of public spending, innovation, cultural identity, happiness and the extension and consistency of social networks.

This article uses the term "demographic environment", a common concept in marketing, to designate everything—in this case, demography—that is alien and beyond the control of the organization, but has an impact on it (Mintzberg, 1979). In this sense, it is not necessary to evaluate the possible and necessary actions, which within the scope of the institutions and organizations, at the political and cultural level, can be undertaken in order to promote the birth rate. In the text that follows, the central objective is to collect the set of consequences and / or threats that this demographic environment poses and that have to do with issues as varied as: 1) The sustainability of the social protection system, 2) The maintenance of the public services, 3) The economic dynamism, 4) The subjective well-being, 5) The outcrop of "new brains", 6) The persistence of cultural identity, 7) The hustle and bustle of vibrant towns and villages, and 8) The strength of social capital and civil society.

Jean Bodin (1529-1593): *"There is no greater wealth than that of men."*

1. The sustainability of the social protection system

The viability of the social protection system (pensions, unemployment benefits, health, social services) is a function of the dependency ratio (ratio between the population over 67 and the population between 16-66), which in the Spanish case it will jump from the current 24.8% to 60.2% in the year 2050 (Conde-Ruiz, 2017). This alarming fact is exacerbated if one takes into account the increase in life expectancy, and the increase of the "clientele" in the Welfare State—welfare public employees, pensioners, the handicapped, the unemployed and beneficiaries of social assistance— (Del Pino, 2004), added to the loss of weight of the family institution as a network that has traditionally endured the situations of physical and economic impossibility of its members (Membiela-Pollán, 2013).

There are mitigating measures for population ageing, such as lengthening the retirement age, decreasing the contribution points per annum, penalizing early retirement more heavily and there are other alternatives such as: updating pensions below the CPI, completing the retirement pension with a private pension or reducing health expenditure (Herce and Pérez-Díaz, 1995; Barr, 2001). But in addition to not being fully effective, they exemplify the high opportunity cost that the—structural— problem of the demographic crisis implies for society.

2. The maintenance of public services

Public services meet certain social needs and are oriented towards well-being (Rozas and Hantke-Domas, 2013). Among them, we can mention public libraries, the army, the courts, public transport, water service, public broadcasting, lighting...

In this sense, society has a burden of general expenses to face (Samuelson, 1970).

A village can serve as a scenario to understand how demography affects the maintenance of public services. If a large number of people reside in it, the cost of its night lighting may be apportioned among that crowd. However, conversely and in a context of ageing and demographic scarcity, that same lighting, and other public services, will be subject to the same cost that cannot be divided among so many individuals. The result will be the deterioration of the public service, or the increase of the tax burden on the citizen with the consequent negative impact on the consumer economy, or the public indebtedness that future generations will pay for (IMF Research Dept., 2005; Rosen, 2007).

3. The economic dynamism

Beyond the maintenance of the social protection system and the preservation of public services, demography affects the economy's own dynamism.

The classical economists Paul Samuelson (1970) and Ramón Tamames (1969) back the demographers Dupréel, Sauvy and Peggy to demonstrate the positive impact that demography has on the economy. And in the same sense, Cameron and Neal (2005, p. 33) recall the unquestionable evidence of the physical and economic expansion of the European civilization during several stages of its accelerated demographic growth.

Low fertility and ageing negatively influence demand. Consumption is a function of the volume of income and this decreases with age, following the "income profile by age". Once the individual finishes his studies, the income tends to grow and then stagnates towards the age of forty. At first, it goes down slowly and then it goes faster; ending the process by being paid a retirement pension (Pearce, 1999). In this way, the path of income takes the form of a parabola. The saturation of needs and the less dynamic profile of consumers with an advanced age must be added. In the latter sense, authors such as Francisco Cabrillo (1996, p. 50), Grande Esteban (1993) and Gentry and Mittelstaedt (2017) state that the demographic structure influences the quantity and type of consumer goods that are demanded. Thus, the birth rate affects the sale of toys, baby food, products for the hygiene of children, day care centers, schools, etc. While delayed marriage celebrations imply a lower demand for housing and equipment for new homes (Santesmases, 2012).

Therefore, the demographic environment is of great interest to marketing specialists, because it refers to people, and people make up markets (Kotler et al., 2004).

By deducting consumption, aging also generates effects on production and therefore on investment. Raymond Barre (1977, p. 100) argues that demand stimulates investment and quoting the demographer Löch asserts that demographic expansion acts intensely on the demand for production goods. In a similar line, Fernández Leiceaga (2000, p. 24) picks up Keynes' estimate from a historical series covering the period between 1860 and 1913, in which he concludes that half of the investment has the population increase as its main motive.

In short, demographic pressure forces progress; Existing companies must enlarge and modify their "tools"; new companies are formed and there is an economic boost which favours a better standard of living.

4. The subjective well-being.

The demographic factor, taken at the aggregate level, affects the subjective well-being, that is, the happiness and the life satisfaction of the individual.

Nowadays, adults consider that their generations interacted more with their blood cousins. Although perhaps these cousins "existed" in their childhood, today either they do not exist or the relationship with them is scarce or very sparing. This example can be used to indicate that the decrease in the number of children affects the number of components of the family social network. An essential determinant of happiness is sociability (Argyle, 2001; Diener et al., 2003; Haller and Hadler, 2006). The subject needs social relationships ("relational goods") to be happy, a motive that the classics have already expressed and which the theorists of Happiness Economics remind of us today. These relationships are all the more "authentic" and expressive the greater the degree of social proximity and the emotional bond (Bruni, 2008; Becchetti et al., 2008; Membiela-Pollán, 2016). Beyond the family, aging affects the dimension of the community (Putnam, 2000) and of the global network that surrounds the individual and that is made up of ties of a different nature.

5. The outcrop of "new brains"

Today soccer teams import more foreign players than in the past. Not only the big teams. Any local team lacks a "native labor pool of young people" and so, for its survival it must be nourished by "imported" players from the periphery and immigrants.

This anecdote is used to show that the demographic decline is also manifested in a shortage of "human assets" that give their rationale to the existing social and organizational structures (De Vita and Fleming, 2001).

On the contrary the demographic expansion provokes the emergence, the outcrop, of "new brains": inventors, athletes, scientists, thinkers, writers, artists... which the socio-economic and cultural progress of a country depends on.

In this sense, Cameron and Neal (2005, p. 34) express: "[...] it is striking that the phases of accelerated demographic growth have witnessed explosions of artistic and intellectual creativity followed by a proliferation of monumental architecture: medieval cathedrals, baroque palaces or the neo-gothic style of the 19th century".

6. The persistence of the cultural identity

Demography is a decisive element for the preservation of the cultural identity of the regions and countries. Traditions and customs, beliefs, rites and symbols, norms and shared values, are a collective good because they allow for the permanence of common referents and reciprocal expectations of behavior within a society (Akerlof and Kranton, 2010, p 4).

As Bordieu (1986, p. 86) points out, cultural capital is transmitted through the family and other sociability networks (social capital). When the family weakens and children are scarce, it is difficult to sustain what constitutes the identity of a people and favours both social cohesion and general trust (Platteau, 1994; Knack and Keefer, 1997; Barro, 1997; Membiela-Pollán, 2016).

For years, the fact that emblematic architectural and historical sites have seen their "identity" and "authenticity" reduced, has not gone missed. These are sold as an asset-claim in the postcards that the tourist acquires only taking the reflection of the "neoauthentic" place.

Moreover, this point is so relevant that today we can affirm that the identity of the West is in risk of weakening due to the demographic lack that its society presents.

7. The hustle and bustle of vibrant towns and villages

The informal elocution that exclaims, "this is dead!" is often used in reference to the towns, villages and counties that have enjoyed an environment and a vitality that have vanished. The popular causes attributed to this change tend to revolve around the attraction of other centers of greater dynamism, leisure, the novation of urbanization... However, a prime reason why many towns, villages and cities have stopped vibrating, and why when we walk through its streets, squares and establishments and each time we meet fewer people, is demography itself (Sánchez, 2007; Delgado and Martínez, 2017).

If there are no children, then that which nourishes content and vibrant our places of attachment is diluted (Jacobs, 1961); and harmony is lost, because as Aristotle said, nobody wants to have all the good things if they are alone, because the human being is a political creature and prone to coexistence (*EN*, IX, 9, 1168b).

8. The strength of "social capital" and civil society

A consensus definition of social capital identifies this concept with the set of features of social organization, such as norms and values, trust and networks of interpersonal relationships, which favors the functioning of the economy, society and institutions (Putnam, 1993; Adler and Kwon, 2002; Sánchez-Santos and Pena-López, 2005; Membiela-Pollán, 2016). Social capital has, as noted, a structural dimension that are "social networks" and another cognitive dimension that are "norms, values and trust" (Uphoff, 2000).

The axis "social network" is fundamental in the theory of social capital. The network in which the individual is inserted provides a set of resources of a tangible nature (economic support, physical support...) and intangible (information and opportunities, emotional support, welfare...). Social networks (family, community, associations, network of contacts) perform a multitude of socio-economic functions and fill the role of Civil Society as a third pillar, compared to the State and the Market (Etzioni, 2001; Sen, 1997). These three pillars are interdependent and if one shows deficiencies the other two should try to alleviate them (Esping-Andersen, 2002).

Demography is a product and at the same time an asset of social capital. In what concerns, a deficit in the demographic level, makes social networks lack sufficient human assets to fully develop their functionality. By way of example, it can be perceived that it will be easier to take care of children and the elderly in a household with many components than in another one where they are scarce; it is also understood that the organizations-associations lose ground if there is not a generational renewal to follow suit. It is also understandable that the community loses vigor to solve problems and to join forces in the achievement of collective goals, if there are no people and even more so if there are no young people.

In sum, social capital and civil society, and with it the bulk of the "non-monetary economy," based on reciprocal exchanges and altruism (Zamagni, 1995), loses consistency with the decline of demography.

Conclusions

The demographic scenario present in many of the advanced countries has led to this reason entering the collective consciousness as one of the great challenges facing society. The determining causes, the derived consequences and the possible corrective measures are analyzable in their context.

This article has sought to provide a synthesis of its consequent threats.

On the one hand, both the social protection system and public services depend on the future of demography. Population ageing also affects economic dynamism and business opportunity given its influence on consumption and investment, which are major components of aggregate demand. In addition, demography develops an influence on the subjective well-being, this being the happiness and the vital satisfaction of the individual, because it determines the extension of the social networks that are generators of "relational goods" (mutual love, friendship,

companionship, recognition). Demographic strength is also a key factor for innovation and prosperity in that it raises the outcrop of "new brains" in society. Aspects such as traditions and customs, norms and values or religion, typical of the cultural identity of people, are in the same way clearly transmissible and inheritable if there is a demographic renewal. Social capital and civil society, which are based on formal and informal social networks, and are protagonists in the execution of diverse functions of the non-monetary economy, also depend on the number of people that make up these structures. Finally, demography is a decisive factor for the towns and cities to have "life", so that they can perceive harmony in the social, economic and institutional dynamics.

In summary, a hostile demographic environment favours the emergence of a series of notable threats, of a social, economic and cultural nature, which must be treated seriously by policy makers and taken into account by society as a whole, because the calm evolution or innovation, and the socioeconomic sustainability of nations depend on it.

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