

# GAICMUN 2014



GAIC MUN

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Agenda 1: Measures to cope with aging global population

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## Agenda A: Measures to cope with aging global population

### I. Introduction

“The aging index is calculated as the number of persons 60 years old or over per hundred persons under age 15.” Population aging is a shift in the distribution of a country's population towards older ages. Population aging is widespread across the world. It is most advanced in the most highly developed countries. The Oxford Institute of Population Ageing, however, concluded that population aging has slowed considerably in Europe and will have the greatest future impact in Asia, especially as Asia is in stage five of the demographic transition model a model used to represent the transition from high birth and death rates to low birth and death rate as a country develops.

#### Contributors of population aging

- **Increased longevity:** In most parts of the world, people are living significantly longer lives than in previous decades. For the world as a whole, life expectancy increased by two decades since 1950 (from 48 years in 1950–55 to 68 years in 2005-10). During the current half century, the UN Population Division projects global life expectancy to rise further to 76 years.
- **Declining fertility:** The world's total fertility rate fell from 5 children per women in 1950 to roughly 2.5 today, and is projected to drop further to about 2.2 by 2050. As families have fewer children, the elderly share of the population naturally increases.
- **The aging of “baby boom” generations:** the aging of large cohorts of children born after World War II in the United States – paralleled by similar booms elsewhere at various times – are leading to high shares of elderly people.

One of the major problems that arise from aging population is the increase in the dependency ratio, an age population ratio of those too old or too young to be part of the labor force. If the

retirement age remains fixed, and the life expectancy increases, there will be relatively more people claiming pension benefits and less people working and paying income taxes. The fear is that it will require high tax rates on the current, shrinking workforce.



## II. Status Quo

Population aging is occurring in nearly all the countries of the globe. Aging is driven by declines in fertility and improvements in health and longevity, in other words, a decreasing mortality. At the global level, the number of those over age 60 is projected by the UN Population Division to increase from just under 800 million today (representing 11% of world population) to just over 2 billion in 2050 (representing 22% of world population). World population is projected to increase 3.7 times from 1950 to 2050, but the number of those aged 60 and over will increase by a factor of nearly 10. Among the elderly, the “oldest old” – i.e., those aged 80 and over – is projected increase by a factor of 26. Older persons are projected to exceed the number of children for the first time in 2047. Today almost 500 million people are age 65 and over, accounting for 8 percent of the world’s population.

In more developed countries, declines in fertility that began in the early 1900s have resulted in current fertility levels below the population replacement rate of two live births per woman. Most of the more developed nations have had decades to adjust to this change in age structure. For example, it took more than a century for France’s population age 65 and over to increase from 7 to 14 percent of the total population.

In 2006 the total fertility rate was at or below the replacement rate in 44 less developed countries. Many less developed countries are experiencing rapid increases in the number and percentage of older people, often within a single generation. The same demographic aging process that unfolded over more than a century in France will occur in two decades in Brazil.

### III. History

In 1982, the first World Assembly on Aging, conducted by the General Assembly, which produced a 62-point “Vienna International Plan of Action on Aging”. It called for specific action on such issues as health and nutrition, protecting elderly consumers, housing and environment, family, social welfare, income security and employment, education, and the collection and analysis of research data.

In 1991, the General Assembly adopted the United Nations Principles for Older Persons, enumerating 18 entitlements for older persons — relating to independence, participation, care, self-fulfillment and dignity. The following year, the International Conference on Aging met to follow-up on the Plan of Action, adopting a Proclamation on Aging. Following the Conference's recommendation, the UN General Assembly declared 1999 the International Year of Older Persons.

Held in Madrid, Spain in 2002, it acknowledged aging not simply as an issue of social security and welfare, but of overall development and economic policy. Responding to growing concern over the speed and scale of global aging, the General Assembly of the United Nations adopted by consensus the Madrid International Plan of Action on Aging to guide Governments, the United Nations and civil society to face the challenges and fulfill the enormous potential of population aging.

## IV. Country Positions

### **Australia**

Once a relatively youthful country, Australia's proportion of population aged over 65 years has grown from 8 per cent in 1970-71 to 13 per cent in 2001-02. The Intergenerational Report (IGR) analyzed that over the next 40 years, the proportion of the population over 65 years will almost double to around 25 per cent.

The aging of the population is caused by two factors. Firstly, Australian families are, on average, having fewer children. Birth rates started declining in the late 1960s, and have been falling ever since. Being the responsibility of the government to provide programs to assist parents in bringing up their children, the Australian government has introduced extensive changes to taxes and benefits to assist families. Analysis has shown that the tax and social security system is neutral in its treatment of dual versus single income families.

One aspect of further improving choices available to parents in balancing work and family responsibilities, is to ensure that employers and employees have the flexibility to reach mutually beneficial working arrangements.

The second factor contributing to the aging population is greater longevity. In 1960, life expectancy for males at birth was around 68 years. Today it reaches up to 78 years, and in 2042 the IGR projects it to be around 83 years.

### **Canada**

As of 2012, about 21 per cent of Canadians were over the age of 60. By 2030, that proportion is projected to rise to about 28.5 per cent, and by 2050, approximately one third of Canada's population will be elderly.

Governments at all levels will face significant challenges as the socio-economic impact of an aging population will play a major role in the governmental decisions. Provincial and federal governments will have to make certain adjustments in the near future to better support caregivers.

Canada is an active participant in the “age-friendly cities” initiative launched by the World Health Organization and is a leader in implementing guidelines for developing cities and communities that focus on seniors’ well-being. Several local initiatives are under way in the provinces and territories to offer seniors a healthy, welcoming and more accessible environment.

## **China**

Due to fewer birth rates and longer life expectancies, by 2050, China is expected to have 45 percent of the population to be over 65; compared to 15 percent today.

In the late 1970s and early 1980s, the government advocated a "later, longer, fewer" lifestyle, encouraging people to marry later, have wide gaps between children and fewer children overall. It also instated the controversial one-child policy. These were attempts to curb population growth in a bid to help modernize the economy. However, a report released by a government predicts that China will become the world’s most aged society in 2030.

Rapid aging in China has been driven by three factors. First, robust economic growth over the past decades has been associated with increased average life expectancy in China. Second, the generation of baby boomers became part of the elderly population. Third, the draconian population control policy, introduced in the early 1980s, resulted in an extremely low fertility rate, further increasing the proportion of the older population.

Rapid population aging means that China will not stand in good stead to adjust its industrial structure and move to capital- or technology-intensive industries, and China’s international competitiveness will be hindered.

Furthermore, services and facilities geared toward elderly care such as retirement homes, nursing homes, and rehabilitation care are still rare, even though nearly 23 percent of the older people in China cannot fully take care of themselves.



## **Germany**

Out of Germany's current population, 20 percent are now aged 65. By 2060, the percentage will increase to 33 percent. The consistently low birthrate and growing life expectancy leads to the aging and shrinking of the population. In the next 20 years, the working population is expected to suffer the burden of Germany's aging population. Today, there are 34 people aged 65 and over to every 100 working-age people. In 2030, half of the working population will be retirees.

For Germany, the problems of an aging population are far more pressing than youth unemployment. Due to growing aging population and diminishing workforce, Germany is making a lot of effort to promote immigration because of the very severe demographic situation. Another domestic solution has been the controversial decision to lift the retirement age from 65 to 67. The changes will be phased in between 2012 and 2029, when 67 will become the statutory retirement age.

## **United States of America**

Increases in the number of older Americans will have a profound impact on the age structure of the U.S. population. Back in 1970, children made up about one-third of the U.S. population, and only one-tenth were ages 65 and older. However, by 2050 fully one-fifth of the U.S. population will be ages 65 and older. Most of this increase will take place by 2030 as the last of the large baby-boom cohorts reaches age 65.

Rapid changes in age structure can have major social and economic consequences, especially when they are unanticipated. The postwar baby boom in the United States has strained local hospital, public school, and postsecondary education systems, as well as the labor force as these unexpected large cohorts have moved through the life cycle.

Similar to other developed countries, the United States invests on public programs for the older population that provide health care, long-term care, and income support. Reports estimate one-fifth and two-thirds of today's seniors haven't saved enough, leaving them to rely heavily on Medicare and Social Security. Acute care services for older people, such as hospital and physician care, are financed through a mix of public and private sources. Medicare is a publicly financed and administered, social insurance programme, with near

universal eligibility. However, Medicare, Medicaid and Social Security pose significant economic risks as they are not sustainable. When combined with soaring health care costs, population aging will drive up public health care expenditures and demand an ever-larger fraction of national resources.

## **Japan**

The aging population of Japan outweighs all other nations; currently having the 23 percent of the population be older than 65. Low fertility and great longevity lead to the aging of the population. Especially, family planning, contraception, and legal abortions were the main forms of birth control.

Japan will experience declines in the children and working aged cohorts and a sharp increase in the over 65 year old group. The decline in the working aged cohort may lead to a shrinking economy if productivity does not increase faster than the rate of its decreasing workforce. In the next few years, the first groups of the baby boomers will reach retirement age and researchers believe this will lead to an increase in Japan's debt, deficits, and deflation. Japan is addressing these demographic problems by developing policies to sustain more of its citizen be engaged in the workforce.



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## V. Possible Solutions

As mentioned in the introduction, the constant growing population of the elders has significant impact on economical and social development. One of the biggest threats of aging population is the increase in dependency ratio. Thus, because of falling fertility rates, the labor force as a share of total population has been increasing and is expected to continue increasing through 2050. Excessive growth of the aging global population will degrade the global competitiveness of each country. Therefore, an approach to tackle the economic challenges is crucial to curing an aging population society. Our ideas of measures to cope with aging population follow several steps.

First, the resolutions must consider ways to encourage fertility rate. These ways include financial supports for married couples, provision of education, and programs that can realistically raise birth rate. Many more creative solutions can be created in this step.

Furthermore, the resolutions must consider the governmental services and aid provided for the aging population. This step includes the extent, budget, and specific procedures. In other words, delegates should keep in mind of the short-term and long-term solutions for the increasing proportion of the aging population that can root out the problem.

Finally, delegates must consider establishing international scale solutions. For instance, the delegates can create a protocol or government regulations regarding the issue of the excessive growth of the aging population, or bring changes to a former international law to efficiently cope with the aging global population.

There are many other steps that each delegate can take. Delegates can pursue their own way of thinking regarding the main agenda, to make a better world. We expect a lot of creative resolutions from the delegates.

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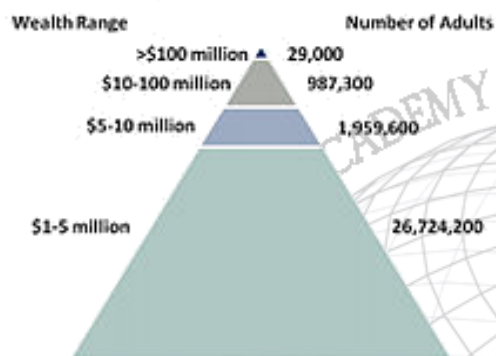
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Population by Age Group and Indices of Age Structure (Excel: 29KB)

## Agenda 2: Equal distribution of wealth

### I. Introduction

**Number of High Net Worth Individuals, 2011**



Source: Credit Suisse, Global Wealth Databook 2011

In the Outlook on the Global Agenda 2014 from the World Economic Forum the widening income disparities come second as a worldwide risk. Wealth is composed of items of economical value an individual owns. The distribution of wealth is defined as the manner in which wealth is divided among the members of the economy. A perfectly equal wealth distribution would mean everyone in

the country has exactly the same wealth. In reality, on the other hand, wealth is unequally distributed.

Wealth distribution can be viewed in two ways; international and domestic. In terms of global economic inequality, the inequality is getting serious at a growing rate. The structure of global wealth distribution is often referred to as a pyramid (picture above). At the top of the pyramid about 0.7% of world population holds 41.0% of world total wealth. On the other hand, the lowest portion of the pyramid tells that 68.7% of world population owns only 3% of world total wealth. As for inequalities within each countries, the distinction between what are known as 'slums' and the rich is becoming clear as ever. This will be dealt with more depths in "Country Positions" in this report.

There are many reasons of economic inequality within societies. The widening economic disparity is an inevitable phenomenon of free market capitalism. Common factors that contribute to wealth inequality are labor market outcomes, globalization, policy reforms, regressive taxes, and various forms of discrimination.

Inequality in wealth effects higher rates of health and social problems, lower rates of social goods, and a lower level of economic utility in society. In recent years the characteristic that has strongly correlated with health in developed countries is income inequality. This overall process reduces the total level of economic growth.

## II. Status Quo

The issue of income inequality has prompted several social problems globally. Currently, reducing inequality is one of the defining challenges of our time. In recent decades much of the discussion has centered on the need to invest in education. Fostering access to education is a powerful way to reduce the dispersion of wages in the long run, but it may not be enough.

An even more important problem is that looking at earned income is not enough. Economists once misbelieved that the ratio of aggregate wealth to income is constant over time, but it is not.

As wealth is very concentrated, high wealth-to-income ratios imply that the inequality of wealth, including inherited wealth, will be a bigger matter in the future. This evolution will reinforce the need for progressive capital and inheritance taxation. Thus, these consequences will require a higher degree of international coordination in order to prevent wealth from hiding in offshore tax havens.



### III. Past Actions

In many societies, attempts have been made by such as but not limited to property redistribution, taxation, regulation, or redistributing wealth. These aims are mostly supported by the upper class, and brings results of diminishing extreme inequality.

Going back to the Roman republic in the third century B.C., laws were passed to limit the amount of wealth or land that could be owned by one family. The desire for equality of opportunity, fear that great wealth may lead to future political corruption, and fear that extreme concentration of wealth resulting in rebellion have been set as motivations for equal distribution. Various forms of socialism seek to diminish the unequal distribution of wealth.

#### *Charity*

In addition to government efforts to redistribute wealth, the tradition of individual charity is a voluntary means of wealth transference. There are also many voluntary charitable organizations making concerted efforts to aid those in need.

#### *Progressive taxation*

This policy seeks to reduce absolute income inequality when the higher rates on higher-income individuals are paid and not evaded, and transfer payments and social safety nets result in progressive government spending. When income inequality is low, aggregate demand will be relatively high, because more people who want ordinary consumer goods and services will be able to afford them, while the labor force will not be as relatively monopolized by the wealthy.

## IV. Country Positions

### *The United States of America*

According to the Congressional Budget Office, between 1979 and 2007 incomes of the top 1% of Americans grew by an average of 275%. During the same time period, the 60% of Americans in the middle of the income scale saw their income rise by 40%. Since 1979 the average pre-tax income for the bottom 90% of households has decreased by \$900, while that of the top 1% increased by over \$700,000, as federal taxation became less progressive.

In 2007 the richest 1% of the American population owned 34.6% of the country's total wealth, and the next 19% owned 50.5%. The top 20% of Americans owned 85% of the country's wealth and the bottom 80% of the population owned 15%.

From 1922 to 2010, the share of the top 1% varied from 19.7% to 44.2%, the big drop being associated with the drop in the stock market in the late 1970s. Ignoring the period where the stock market was depressed (1976-1980) and the period when the stock market was overvalued (1929), the share of wealth of the richest 1% remained extremely stable, at about a third of the total wealth. Financial inequality was greater than inequality in total wealth, with the top 1% of the population owning 42.7%, the next 19% of Americans owning 50.3%, and the bottom 80% owning 7%. However, after the Great Recession which started in 2007, the share of total wealth owned by the top 1% of the population grew from 34.6% to 37.1%, and that owned by the top 20% of Americans grew from 85% to 87.7%. The Great Recession also caused a drop of 36.1% in median household wealth but a drop of only 11.1% for the top 1%, further widening the gap between the 1% and the 99%. During the economic expansion between 2002 and 2007, the income of the top 1% grew 10 times faster than the income of the bottom 90%. In this period 66% of total income gains went to the 1%, who in 2007 had a larger share of total income than at any time since 1928.

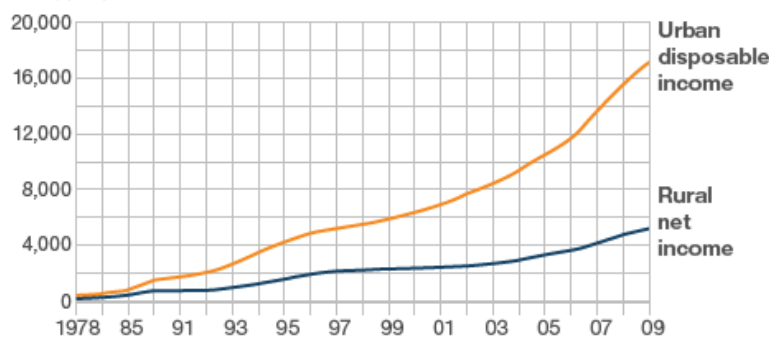


## China

China is known for the unequal distribution of wealth within the country. Rural poverty persists as urban wealth balloons. China's economy has grown rapidly over the past decades; the emergence of a middle class, combined with high levels of personal savings and low levels of personal debt, offers tantalizing evidence of China's new-found wealth. However, there is compelling evidence that although economic growth has created vast wealth for some,

**Income in China: urban vs rural**

Yuan, per person



Source: National Bureau of Statistics of China

it has amplified the disparities

between rich and poor. The

2010 Credit Suisse Global Wealth Report noted that these

forms of wealth, which

accounted for much of the

\$9,600 in real assets per adult

in China, were extremely

important forms of wealth

creation. The report showed that although the average wealth per Chinese citizen was

\$17,126 - almost double that of other high growth economies such as India - median wealth

was just \$6,327. In 2010, China's Gini-coefficient - a measure of how wealth is distributed in

a society - stood at 0.47 (a value of 0 suggests total equality, a value of 1 extreme inequality).

In other words, inequality in China has now surpassed that in the United States, and surged through the 0.4 level in the mid-2000s.

Despite the continued growth in urbanization, some 50.3% of China's mainland population

(or 674.15 million people) continue to live in rural areas. In 2010, rural residents had an

annual average per capita disposable income of 5,900 yuan (\$898). That's less than a third of

the average per capita disposable income of urban residents, which stood at 19,100 yuan

(\$2,900).

### *North Korea*

North Korea's economy is a centrally planned system, yet the role of market allocation schemes is limited. Although there have been scattered and limited attempts at decentralization, as of 2014, Pyongyang's basic adherence to a rigid centrally planned economy continues, as does its reliance on fundamentally non-pecuniary incentives. There have been reports of economic liberalization, particularly after Kim Jong-un assumed the leadership in 2012, but recent reports conflict over what is happening.\

North Korea had a similar GDP per capita to its neighbor South Korea until the mid-1970s starting from the aftermath of the Korean War, but with a GDP per capita of less than \$2,000 in the late 1990s and early 21st century, North Korea remains as one of the world's poorest and least developed countries, in sharp contrast to South Korea, which has one of the largest and most diversified economies in the world. North Korean Market Trend is revealed by its Won exchange rate with the US Dollar and the Rice Price in three major cities of Pyongyang, Sinuijiu and Hyesan.

### *Russia*

A new report on global wealth has determined that Russia now has the highest level of wealth inequality in the world -- with the exception of a few small Caribbean nations where billionaires have taken up residency. The annual global wealth study published by the financial services group Credit Suisse says a mere 110 Russian citizens now control 35 percent of the total household wealth across the vast country (Credit Suisse Global Wealth Report). The 35 percent of wealth that Russian billionaires own is equivalent to \$420 billion. By comparison, billionaires worldwide account for just 1 to 2 percent of total wealth. Russia has one billionaire for every \$11 billion in wealth while, across the rest of the world, there is one billionaire for every \$170 billion.

### *United Kingdom*

United Kingdom is known as the 4<sup>th</sup> most unequal country on the globe, according to the Office For National Statistics. The research done by the institute revealed that South East of the United Kingdom holds 15.5% of wealth in the country, and London, more than 12%, marking the second place on the chart. In contrast, Scotland has only about 6.9% of wealth in the country is distributed. Other places, like the North East and the North West also showed low percentage in country wealth sharing, also. Aside from regional distribution of the wealthiest households, distribution of 'total' household wealth statistics show that the bottom half of households owned has less than 10% of overall wealth. Next to this, 51 to 90% of households owned have 46.3% of overall wealth. Lastly, the top 10% has 43.8% of household wealth in the county, quite similar to the wealth owned by about half of the country in numerical value.

### *Ethiopia*

Like all the countries of Sub-Saharan Africa, poverty is rampant in Ethiopia. The UNDP's Human Development Index (HDI) listings, which arranges countries according to their overall level of human development, ranks Ethiopia 171st out of a total of 174 nations. The HDI is a composite index (one that assesses more than one variable) that measures life expectancy at birth, adult literacy rate, school enrollment ratio, and the GDP per capita . It is indicative of a country's general social and economic well-being. As such, Ethiopia's HDI ranking demonstrates that the country is one of the poorest and least developed in the world. Fortunately, the situation has shown small signs of improvement, and the Ethiopian HDI score increased from a dismal 0.265 in 1985 to a slightly better 0.309 in 1998 (the highest possible rank is 1.0, and Canada—the highest ranking HDI country— scored 0.935 in 1998).

## V. Possible Solutions

When looking at potential solutions to this agenda, all delegates must consider that equal distribution of wealth touches a country's overall economic system. Therefore, there must be both short-term and long-term solutions. Keeping these points in mind will be key for a fruitful conference. In order to alleviate wealth inequality, various short-term measures must be undertaken.

As a short term solution, strengthening unions is a must. One way to address this is a balance of power. In case of the US, government policy has tilted strongly against unions contributing significantly to disruptive income inequality. The idea that the market fairly distributes economic rewards seems absurd when one examines the compensation of many CEOs in this country versus their counterparts in Europe and Japan. Delegates should consider the extent of empowering unions.

For a true equal distribution of wealth, a variety of long term solutions are also required. First, taxing wealth is a prerequisite. The rich have been able to maintain their wealth as the government has been paying to enforce copyright and other laws to protect their capital. However, it is crucial that the ones with the most to protect should have the obligation to pay for their share. Delegates should consider levels of differentiating wealth. In addition, various methods of taxing on big corporations should be bear in mind.

Also, a potential option is to regulate actions that diminish wealth of those that possess under average. For instance, some investment on industrial plants harms the environment and people feeding from the ecosystem. Hence, regulations and nets that help strengthening of social safety should be considered as well. In the long term, social wealth in forms of public education, infrastructure, and health care will play a huge part in the equal distribution in wealth. Delegates must consider specific and effective ways of these provisions.

Considering the fact that distribution of wealth may be a sensitive issue in nations, delegates should be reminded that a unified global society will greatly assist in overcoming this issue. Delegates should be also reminded that discussion under the agenda is not a debate between whether or not wealth should be distributed, but drawing a peaceful consensus of the effective extent of distribution.

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