

Is Aomori's Declining Demographic Trend Bad News?

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Abstract

The government agency reported this March that the demographic trend in Aomori Prefecture will be a decline by about 30 percent of the current population by the year 2040. The reaction of the general public to the report in Aomori is pessimistic about the future state of the economy. Our intuitive reaction, however, is encouraging. In this paper, we have estimated the economy-wide effects of the 30 percent decline of the current population in Aomori Prefecture, in the framework of a multi-sector applied general equilibrium model. With the use of year 2000 Aomori input-output data, the major simulation results of the 30 percent decline of the current population lead to the following conclusions: 1) the Aomori prefecture will have an increasingly higher relative wage rate; 2) all the sectors, above all, the agricultural sector, will turn out to be increasingly more capital-intensive, and the economy-wide capital-labor ratio will increase; 3) labor productivity will increase with the high capital-labor ratios in all sectors; 4) per capita income will increase, although the aggregate income will decline. These simulation results also imply that the demographic outflow of the population out of Aomori prefecture will result in an increase in the per capita income of the remaining population. "Voting with your feet" may benefit not only the people leaving the prefecture, but also the people who have decided to remain there.

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