

# **Analysis of Policy Options to Address Japan's Declining Population, Shrinking Birthrate, and Aging Society**

*Chihiro Shimizu*

*National University of Singapore*

*Yongheng Deng*

*National University of Singapore*

*Yasuhito Kawamura*

*Sumitomo Mitsui Trust Research Institute, Japan*

*Kiyohiko Nishimura*

*University of Tokyo Graduate School of Economics, Japan*

## **Paper Abstract:**

Based on an analysis of the housing market, this study measures how Japan's declining population and aging society influences its economic system in order to clarify empirically the effects of various policies to address these issues. Specifically, we simulate the decline in housing asset prices brought about by these population changes by 2040 and estimates the effects of three policies designed to suppress this decline: a) accepting more immigrants, b) raising the retirement age, and c) promoting the social advancement of women. The results obtained show that a) staving off the decline in asset prices would be impossible unless 40 million working-age immigrants were encouraged to migrate to Japan by 2040, that b) raising the retirement age to 70 or 75 would have a significant effect on maintaining residential price, and that c) promoting the social advancement of women would not have a significant effect despite incurring considerable social costs. We also extend our empirical model to a multinational-level data and show that some of the largest economies, such as China and Germany, would experience the aging of society in the next 30 years and those demographic changes will negatively impact on residential prices like Japan. This indicate that the findings of this study offer numerous suggestions not only for Japan but also for European and other Asian countries whose societies are expected to age at a greater rate in the future.