The aim of this chapter is to examine the way demographic change will influence the economic wellbeing of different regions in Japan. Decision makers and actors in various fields of Japanese society are in need of rules of thumb concerning the question of which regions will prosper and which will suffer, in order to adjust their reactions, measures, and policies to the upcoming developments. A failure to choose the right path now could obviously result in serious difficulties in the future. It is important to know beforehand what is going to happen and why. This chapter is an attempt to clarify what kind of demographic and economic mechanisms will be at work during the adjustment process. The task is to shed light on the effects those mechanisms are likely to bring about and to examine how they are interrelated. As a first step, we will look at the population projections available.

2. Regional Population Change and Economic Development

Although this chapter is a treatise on the economic effects of demographic change, the whole argumentation must be based on forecasts about population development. Firstly, one has to consider the estimates of both natural population movement and domestic migration broken down into regions or municipalities.

2.1. Regional population projections

The most obvious and clear-cut way to produce forecasts about population movement is simply to extrapolate into the future developments that have taken place in a given time span in the past. If this method is chosen, the outcome is something that is completely in line with the
expectations that the man on the street in Japan has about the coming developments: The metropolises will be less affected, as young people continue to flock to the metropolitan regions as before, while the situation will worsen in the peripheral regions, which will be hit hard both by a population exodus and by the ageing of its resident population. This is, in simplified form, the outcome that has been suggested by a population projection published by the National Institute of Population and Social Security Research, which covers population development in the period from 2000 to 2030 on a municipal scale (IPSS 2004). On the basis of these data, the Ministry for Land, Infrastructure and Transport (MLIT) has compiled a report on future population development in Japan’s urban areas (MLITCRDB 2005a), which comes to the conclusion that population decline will occur in 87 per cent of all areas surveyed. The remaining 13 per cent of urban areas, which can expect their population to stay constant or rise marginally, generally have in common that they are either located in or near the three large conurbations centring on the cities of Tokyo, Osaka and Nagoya, or near the so-called regional capital cities (chihō chūsū toshi) of Sapporo, Sendai and Fukuoka, which are at the core of the larger regional units of Hokkaido, Tohoku and northern Kyushu respectively. Booming manufacturing regions, which have experienced large scale immigration in the 1990s, are also on the list, such as the urban area including Toyota city in Aichi prefecture and the urban area located on the shores of Lake Biwa in Shiga prefecture. A special case is the city of Naha, the capital of Okinawa prefecture, which shows a comparatively advantageous population development mainly due to its above-average birth rate.

On the other hand, population losses will be a distinctive feature of urban areas formed by cities which are not prefectural capitals (kenchō shozai toshi). Urban areas endangered by especially pronounced population losses exceeding 20 per cent in 30 years’ time can be found scattered on Hokkaido, in the Tohoku and Inland Sea regions, and on the island of Kyushu. It is possible to summarize the trend forecast by the projection as follows: the smaller the urban area’s core city is, the higher the actual danger of population decline (MLITCRDB 2005b).

This is what comes out of a simple examination of long-term population development in Japan on a regional scale. However, what happens if we add a simulation which takes into account the economic effects of population movement as well? The Ministry for Economy, Trade and Industry (METI) has created a comprehensive simulation model, which forms the basis for forecasts about both population movement