Session 9: Derivative Projections: specific population groups estimation

The emergence of Aged Economies in the 21st century: Using population projections for long-run economic forecasts

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In an Aged Economy consumption by the elderly exceeds consumption by children. Currently, there are only 23 Aged Economies in the world. But this new form will come to dominate the world economy over the course of this century. This transformation has important implications in many areas but especially for health care and education. Using long-run population forecasts from the United Nations and economic data from the National Transfer Accounts Project, the World Health Organization, and UNESCO, we develop a simple model to track the emergence of Aged Economies and the associated changes in health care and education spending. The share of GDP devoted to education or health care can be decomposed into two multiplicative components: a demographic component (the share of the population at-risk) and a policy/economic component (benefit per person at-risk). Analysis of current levels of spending in these areas highlights the importance of demography as a major determinant of spending and underscores the importance and validity of using long-run population forecasts to forecast likely changes in health care and education.