

## Policy Brief 2009-09-02



### **Launch of a new research consortium**

In April 2009 the "LEPAS" project (Long-Run Economic Perspectives on an Aging Society) was launched. The project involves the collaborative efforts of researchers in Alicante, Copenhagen, Hannover and Vienna, and is funded through the seventh framework programme by the European Community.

### **What is the purpose of the project?**

The project aims to deliver a clearer understanding of how aging and mortality affect economic activity. Humans are biological organisms, yet economic analysis of the economy as a whole largely ignores this simple truism. That is, the "economic agents" that appear in models concerning growth in aggregate GDP simply do not age in a biologically meaningful way. The fundamental purpose of the project is to integrate frontier knowledge from the biology of aging into

economic models so as to make the economic models "come alive".

### **Why is it important?**

The population of the European Union is aging rapidly; faster than that of any continent. In the future there might well be no more than two workers for every retiree. As a result there is an urgent need to understand how an aging population is going to influence the economy. Older workers differ from their younger counterparts in many ways; they have different productivity levels, expected life spans and preferences for consumption for instance. As a consequence one may expect that savings, investment and over-all productivity will be affected in a major way by the changing age structure of the population. Yet, economic models are currently not equipped to analyze these issues. As a result, long-term forecasts of growth and fiscal sustainability in the EU are potentially misleading.

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