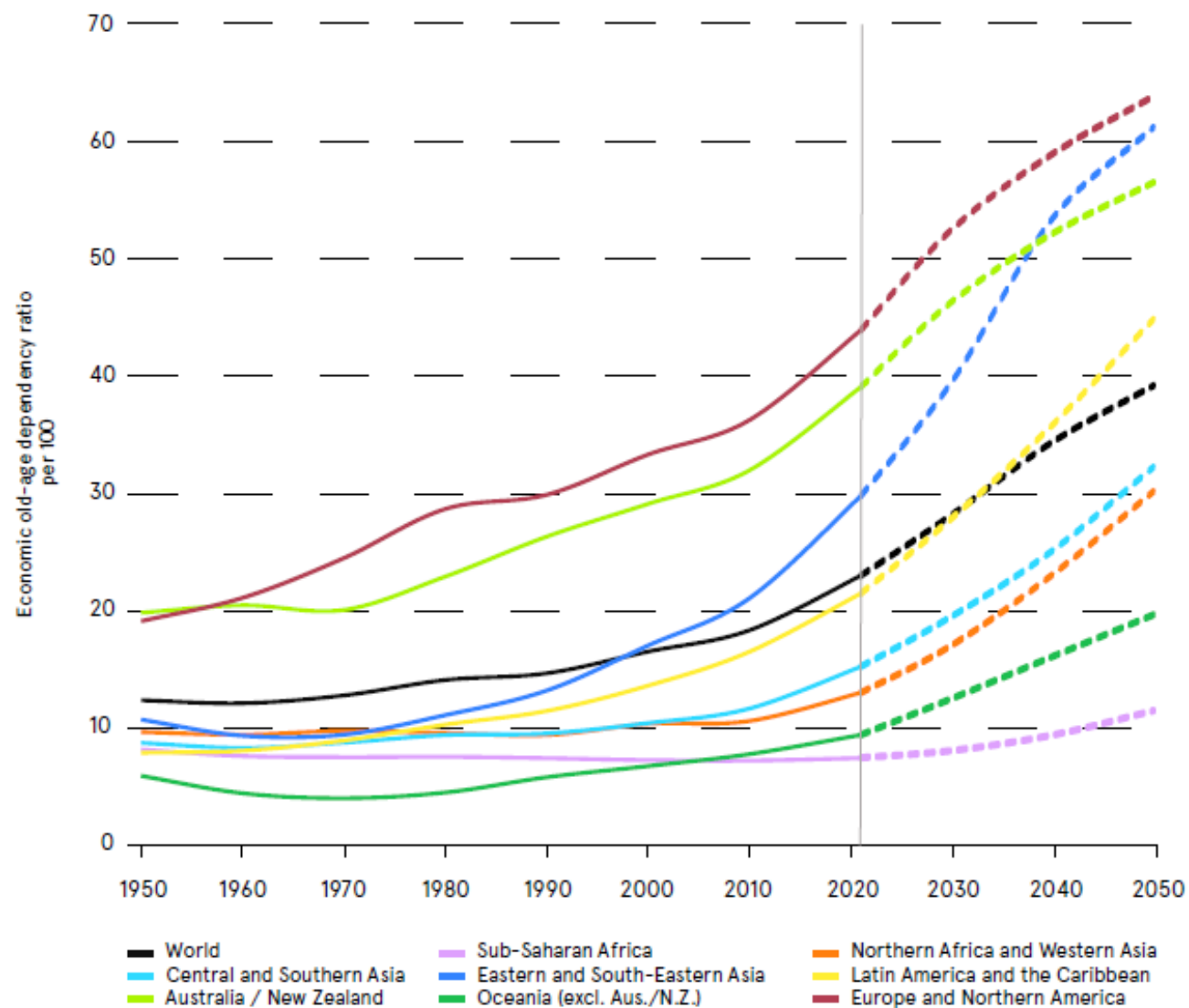


# Demographic Change, International Capital Flows, and Long-Term Interest Rates

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Percentage of people aged 65 years or over, world and regions, estimates for 1950–2021 and projections for 2022–2050



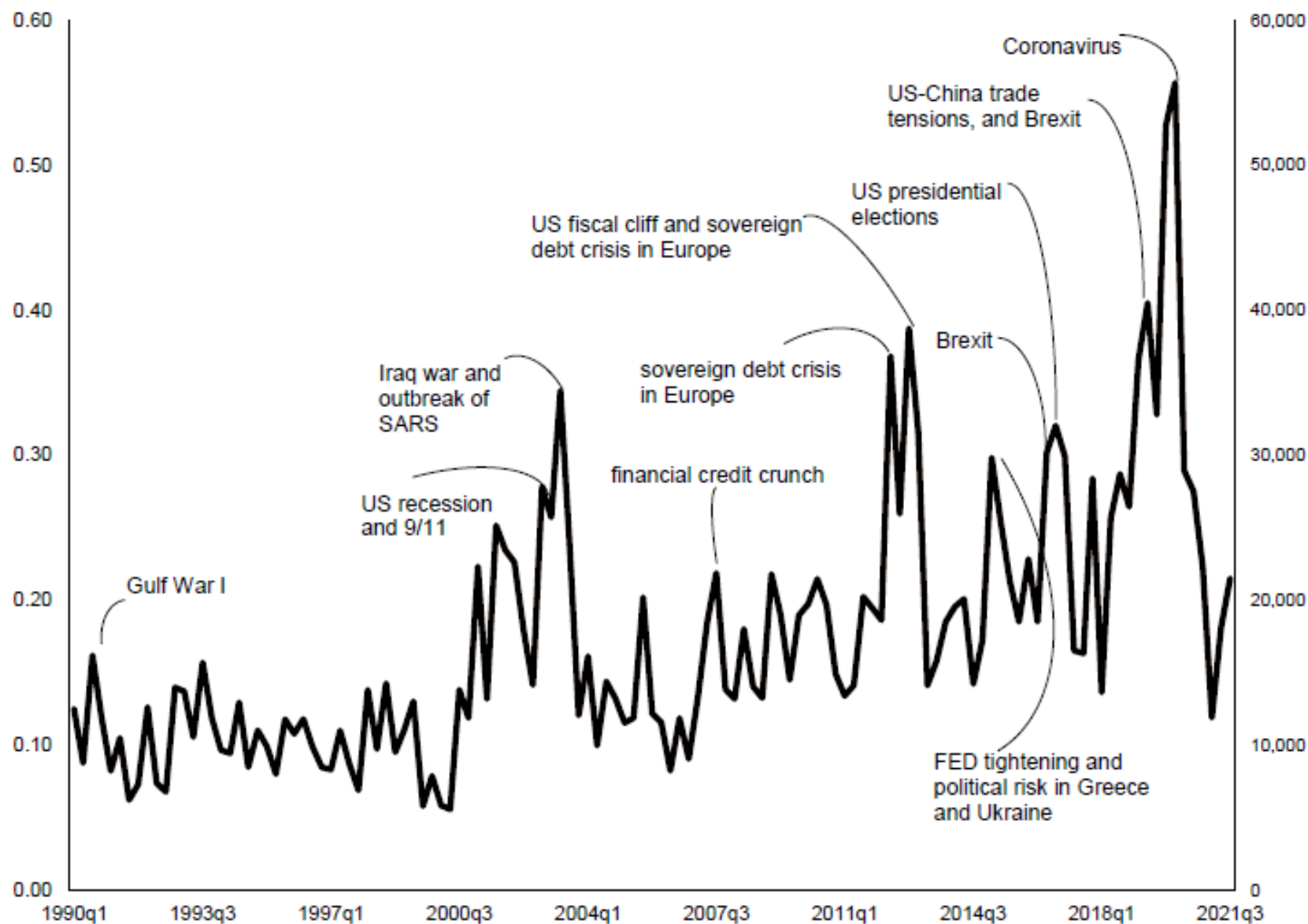
Source: United Nations (2022a).

# Possible Factors

- Fiscal policy and aging
  - Without benefit cuts, increased transfers from savers to spenders
  - Without benefit cuts or tax increases, even more negative effects on saving
- Demand for safe assets
  - A decline in demand (or increase in supply) could drive government rates up relative to other rates of return
  - So could a reduction in the risk perceived for risky assets

**Figure 1. World Uncertainty Index (WUI) over time**

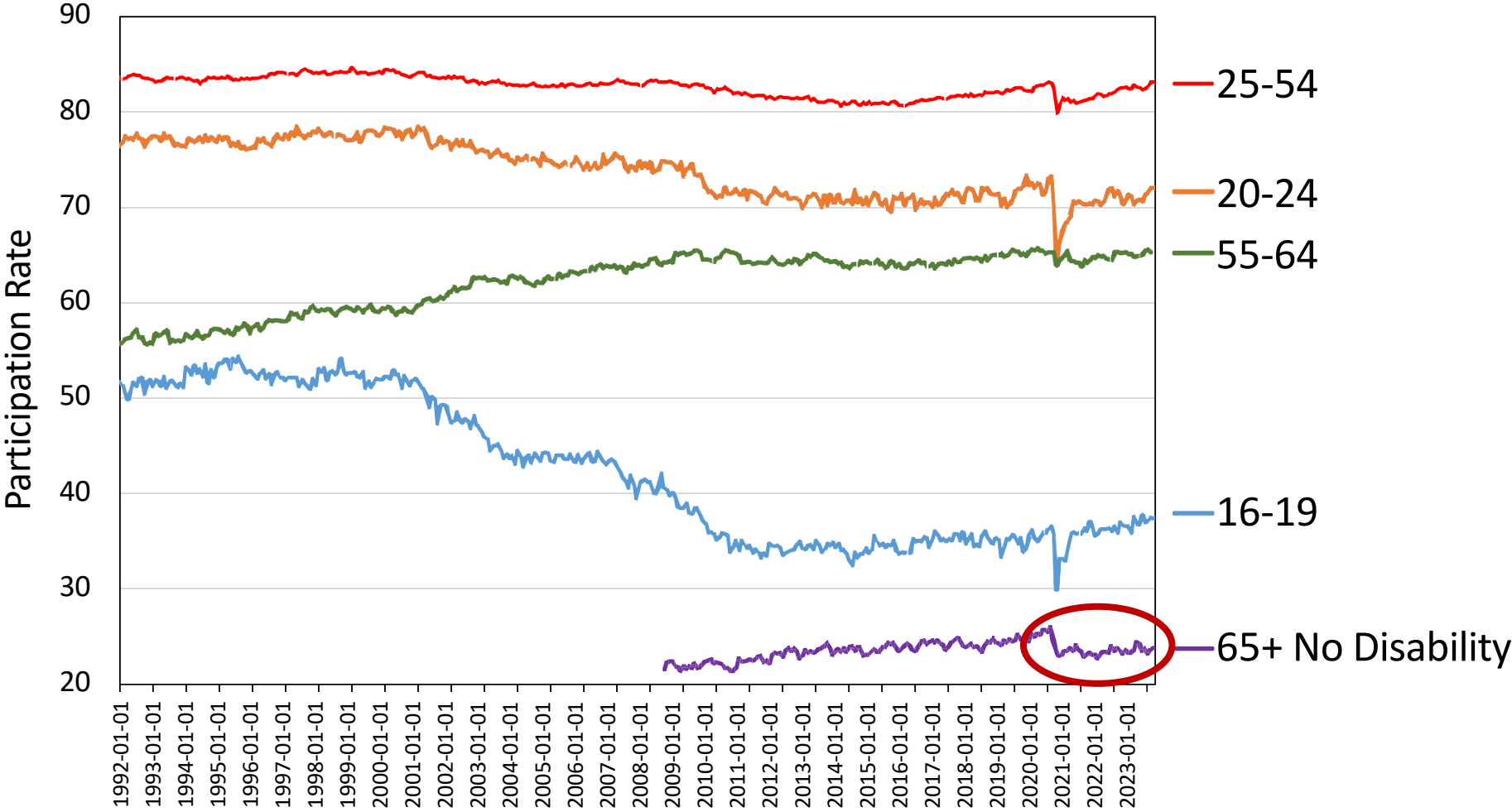
(GDP weighted average)



# Possible Factors

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  - A decline in demand (or increase in supply) could drive government rates up relative to other rates of return
  - So could a reduction in the risk perceived for risky assets
- Labor force participation
  - Significant increases in work among the elderly could mitigate increases in capital-labor ratios

# US Labor Force Participation Rates by Age



# Possible Factors

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- Labor force participation
  - Significant increases in work among the elderly could mitigate increases in capital-labor ratios
- **Limits on capital mobility**