

Changing patterns of economic life-cycle for Finland and Sweden

Abstract

Many economies have experienced both high economic growth and recessions during the last two decades at the same time as the populations have been aging. This is also true for Sweden and Finland, which both experienced a severe recession in the beginning of the 90's. Both of these countries rely heavily on intergenerational, and especially on public transfers to smooth consumption over the life-cycle. The aim of this study is to investigate how life-cycle patterns of earnings and consumption have been changing from 1990 to 2006. We can see that Finland and Sweden adjust their intergenerational transfers in a different manner over this period. While we can observe an increase in the life-cycle deficit (LCD) of Finland this is not so for Sweden. We will also decompose the changes in LCD to demographic, labor market, and consumption components to see which factors are the main driving forces in the two countries.