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GLOBAL AGING VULNERABILITY INDEX

New CSIS Ranking List Countries Most Susceptible to Fiscal, Social Meltdown

WASHINGTON, November 15, 2002—France, Spain and Italy are the countries most likely to suffer fiscal, social and political crises in the near future due to the costs of caring for rapidly aging populations, according to a new global ranking developed by CSIS and released today.

The three highest-risk countries are unprepared to meet the aging challenge because they have little room to raise taxes or borrow while cost-cutting reforms would cut deeply into retiree living standards, according to the CSIS Aging Vulnerability Index (www.csis.org). In the 2003 Index, the last three places all go to countries that face staggering cost projections, due in varying degree to severe demographics, generous benefit systems, and high elder dependence on public benefits.

The projections underlying the Index are based on a “no-wishful-thinking” demographic and economic scenarios, a realistic baseline that assumes a continuation of historical trends. The CSIS Aging Vulnerability Index is the first attempt to develop a comprehensive measure of the old-age dependency challenge that is comparable across the developed countries.

“The Index clearly shows that some countries face enormous political crises,” said **Paul S. Hewitt**, director of the CSIS Global Aging Initiative. “Current budget difficulties in Europe and Japan are nothing compared to what lies in store, if they don’t act soon to reduce the dependency burden.”

The aging index was developed by the CSIS Global Aging Initiative, which has studied the rapid aging of developed countries over the last four years. The GAI has sponsored the CSIS Commission on Global Aging, comprised of 85 leaders from government, business, academia and NGOs from around the world. Earlier this year, the GAI published the commission’s final report outlining 55 recommendations for aging societies.

The three lowest-risk countries on the aging vulnerability index are Australia, Britain, and the United States. Countries that rank high in the Index are best situated to address the aging challenge without major fiscal or economic stress due to favorable demographics, modest benefit formulas, and strategic policy choices.

For each country, the Index is compiled from 11 separate indicators in four basic categories:

- **Public-burden indicators**, which track public-spending growth caused by demographic aging
- **Fiscal-room indicators**, which track a country’s ability to accommodate aging costs through higher taxes, cuts in other spending, or public borrowing
- **Benefit-dependence indicators**, which track how dependent the elderly are on public benefits and thus how politically difficult it will be to reduce their generosity
- **Elder-affluence indicators**, which track the relative affluence of the old vis-à-vis the young

For most of history, the elderly comprised about 5 percent of the population of developed countries. In 40 years, the average share is expected to reach 40 percent.

CSIS is an independent, nonprofit, nonpartisan policy research organization.