

Ageing Consumers, Competition, and Growth

Abstract

Population aging changes not only labor supply but also the composition of demand. We show that shifts toward middle-aged consumers---who search less and substitute less across goods---weaken product-market competition. Using a shift-share IV based on foreign demographic forecast errors propagated through trade exposure, we find that middle-aged demand raises prices, lowers output, and reduces productivity. This negative price-quantity co-movement is inconsistent with a standard demand shift but consistent with a weakening of competition. A calibrated general equilibrium model implies the demand-composition channel depresses U.S. real GDP by about 2% at its peak, reversing as baby boomers enter retirement.

This paper is joint work with Daniele Angelini

Max Brès

Senior Economist at the Monetary Policy Department of *Sveriges Riksbank*, the Swedish central bank