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Education and Life-Expectancy

Education can generate several individual and social advantages. Out of these advantages the most marked ones in researches are the advantages education can create in the labour market (higher employment rate, higher wages). Apart from labour market and wage advantages educational attainment correlates with life expectancy, individual health status, satisfaction, quality of interpersonal relationships, social and organizational trust, and political participation. On societal level, educational attainment contributes to economic development and to a more effective redistribution and to the stability of social structures. Out of the individual advantages the following brief analysis focuses on the relationship between life expectancy, health status and educational attainment.

Out of all the individual and societal advantages apart from labour market outcomes higher educational level is related to longer life expectancy as researches unequivocally state. The positive impact of education that is the relation between education and life expectancy independently of different social groups and countries at differing degrees can be traced back in each individual and in each country.[1] Researches in the field also point out that the longer life expectancy of the highly educated cannot be explained by any kind of externalities. For example, the cause for higher education and improved health status cannot be traced back to the parents' social status; the difference in life expectancy among higher educated and lower educated people is unequivocally due to the difference in their educational levels. [2]

The longer life expectancy resulting from educational attainment can be explained by several factors, but on the whole, it can be stated that higher educational level leads to a healthier life style and better living conditions in general. One of the factors that enhances a healthier life style is the wage advantage that high-educated people enjoy: as an average, the highly educated people spend more on their health and have access to means that help them establish a healthy life-style, e.g. sports facilities, comprehensive health insurance, private care or therapies to help them quit smoking. Better working conditions are among those labour market advantages that usually characterize the

[1] Cutler, D. M., & Lleras-Muney, A. (2010). Understanding differences in health behaviors by education. Journal of health economics, 29(1), 1-28.

[2] Groot, W., & Van Den Brink, H. M. (2007). The health effects of education. Economics of Education Review, 26(2), 186-200.

highly educated work force, and among them the rate of those having hazardous work is lower than among those with low education.

Apart from all this, researches demonstrate differences in health attitude among high- and low-educated people. High-educated people are usually more risk averse in relation with their health: among them the obesity rate is lower as an average in most countries, and unhealthy habits like smoking or excess alcohol consumption is less frequent. Furthermore, their risk averse behaviour can be detected in their use of safety belts or in attempts to reduce the chances for home accidents. [3] People with higher education are more likely to regularly have medical preventive tests, or to visit their doctors for check-ups because of their existing disease than people with lower education. In the latter case, it can be demonstrated that the high-educated have less false information about their diseases – high blood pressure or diabetes being the most important ones – than their low-educated counterparts, and they also tend to stick to the prescribed treatment. [4]

The relations between educational attainment, life expectancy and health status demand attention in Hungary. A recent OECD study[5] examined the characteristics of life expectancy among people between the ages of 25 and 65 in 23 countries according to educational attainment and gender. The finding of the study suggests that in the examined countries the high-educated 25-year-old men can expect an average of an 8-year-longer life and in case of women it is an average of a 5-year-longer life than their peers with low education. The life expectancy difference is the highest in Hungary: a 25-year-old man with higher education could live, on average, 14 years longer than a man without secondary education.[6] This means that according to OECD estimates, on average, a 25-year-old man with higher education will have 53.9 years more to live while someone without a high school graduation will have only 39.8 more years to live.[7] The study highlights the fact that similar differences were only found in Latvia, Poland and the Czech Republic (See: Figure 1).

[3] Cutler, D. M., & Lleras-Muney, A. (2010). Understanding differences in health behaviors by education. Journal of health economics, 29(1), 1-28.

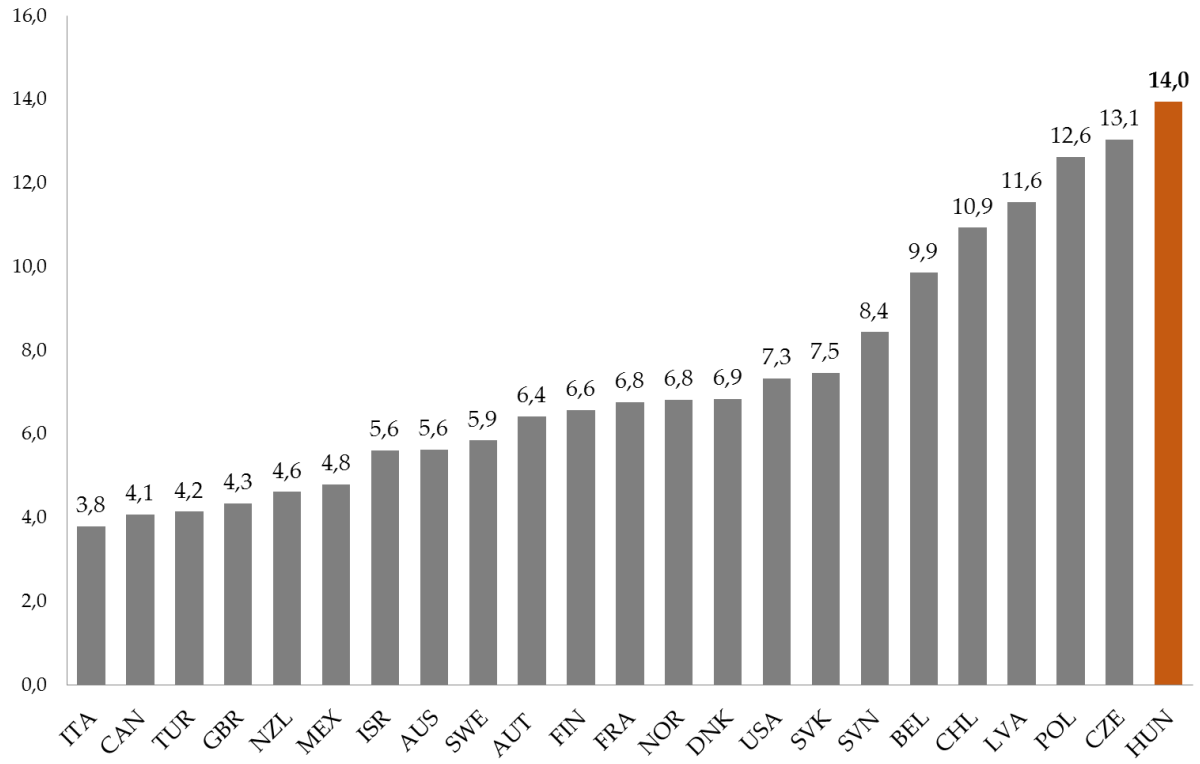
[4] Goldman, D. P., & Smith, J. P. (2002). Can patient self-management help explain the SES health gradient?. Proceedings of the National Academy of Sciences, 99(16), 10929-10934.

[5] Murtin, F., Mackenbach, J., Jasilionis, D., & d'Ercole, M. M. (2017). Inequalities in longevity by education in OECD countries. Elérhető: http://www.oecd-ilibrary.org/social-issues-migration-health/inequalities-in-longevity-by-education-in-oecd-countries_6b64d9cf-en

[6] In case of women, similarly to other countries, the difference is not that significant. Among the 25-year-old group it is about 6 years and that is only a little bit higher than the average (5 years) in the examined countries.

[7] This is the lowest rate of life expectancy among people with low education among the examined countries. The average life expectancy among men with the same educational level in other countries is 49.3 years.

Figure 1: The life-expectancy difference between 25 years-old men with educational attainment lower than secondary school and with higher education in 23 countries examined by the OECD (2017)



Source: Murtin et al. 2017

The study also states that the primary cause of death among men with low education in countries having significant differences in educational attainment and having higher mortality rates is heart and cardiovascular diseases. In Hungary, this rate is the highest among all other countries, it accounts for at least about half of the death cases. While in countries with lower mortality rate indicators and less difference in educational levels, these diseases are not that widespread. This means that the differences concerning the incidence of heart and cardiovascular diseases, that may also depend on the differences in lifestyles, could be linked to the differences between the life expectancy rate between the high- and low-educated people.

The possible consequences of US protectionism on European economy

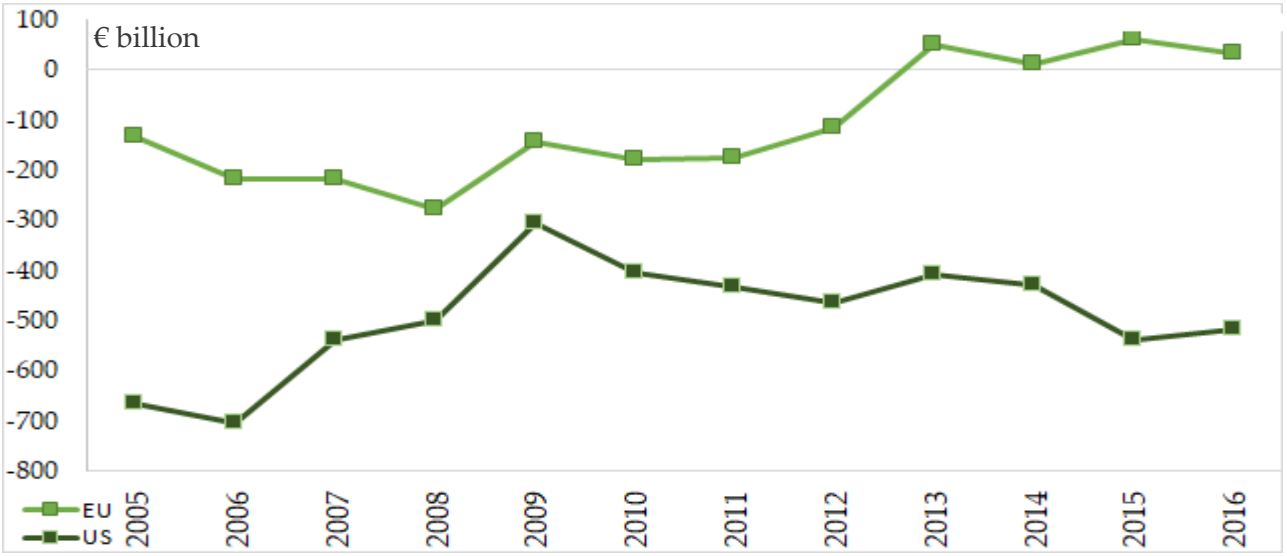
This brief analysis aims to describe the protectionist trade policies pursued by the US under Donald Trump's presidency and their expected impact on US-EU trade relations, and on the European economy. Donald Trump believes that current trade agreements damage US economic growth and American workers, and therefore advocates for the withdrawal from or renegotiation of existing trade deals and the imposition of higher import tariffs. As the US is the European Union's first trading partner, the implementation of such measures would have far-reaching consequences for the EU economy. This analysis critically examines the current US-EU trade relations, the protectionist US trade policy agenda, and its possible consequences for the EU economy.

Donald Trump's protectionism

Since the first day of his presidency, Donald Trump has been committed to pursuing a protectionist agenda, proclaiming and acting on the intention to implement a series of protectionist trade policies under the slogan 'America First'. He has pledged to raise tariffs on imports, as well as withdraw from and renegotiate trade deals perceived as disadvantageous for the US. The justification for such actions is the belief that current trade policies hurt American growth and workers due to the large and growing trade deficit of the country, which was at $502 billion in 2016.

While a persistent trade deficit can indeed be detrimental to a country's employment and growth and devalue its currency, the US has experienced a persistent trade deficit since 1976 without such negative impacts. This can be attributed to the size of the US economy and the dollar being the world reserve currency. Thus, as this trade deficit has so far not proven to be damaging to the US economy, the pursuance of an aggressive protectionist agenda will most likely have much stronger repercussions for the economy than a growing trade deficit could have.

Figure 1: Trade balance, EU and US, 2005-2016

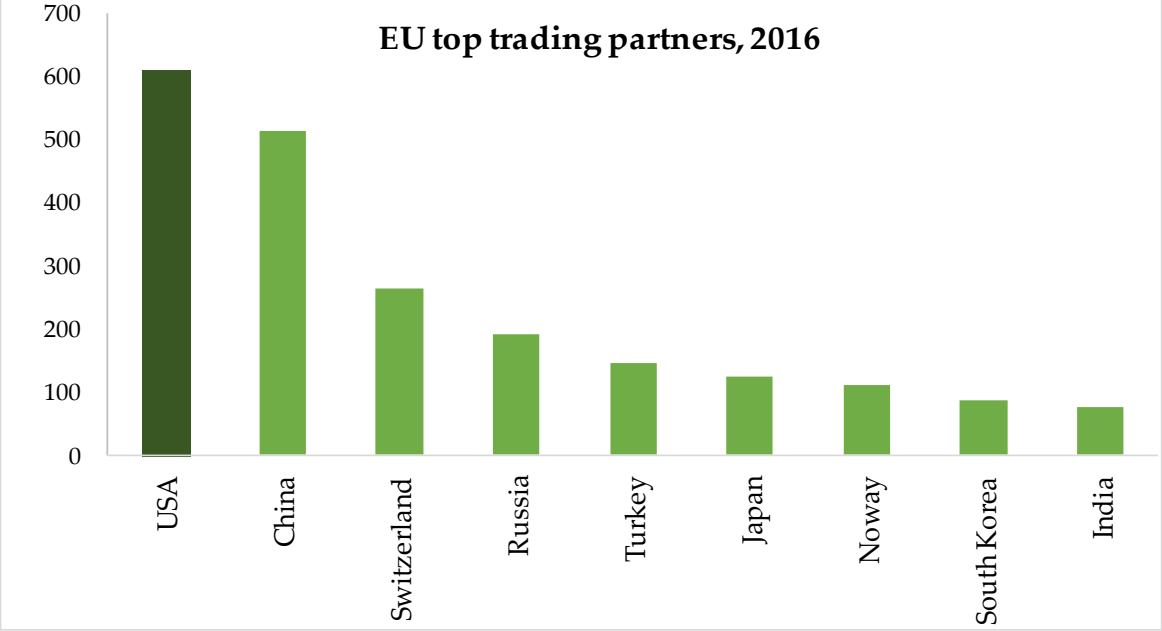


Source: European Commission, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

President Trump justifies the pursuance of protectionist policies with economically faulty argumentation. His perception of trade as a zero-sum game displays a lack of understanding of how trade operates and to whom it is beneficial. Based on his policy proposals, Donald Trump believes that trade between two countries always has one clear winner and one loser. This is wrong, as the long-accepted 200-year-old Ricardian theory of comparative advantage clearly states that trade between two countries can be beneficial to both parties if the opportunity cost of producing the goods they trade in is different in the countries, and both export the goods in which they have comparative advantage over the other. Protectionism is only economically beneficial under certain rare conditions, and in most cases, protectionist policies are highly damaging to an economy.

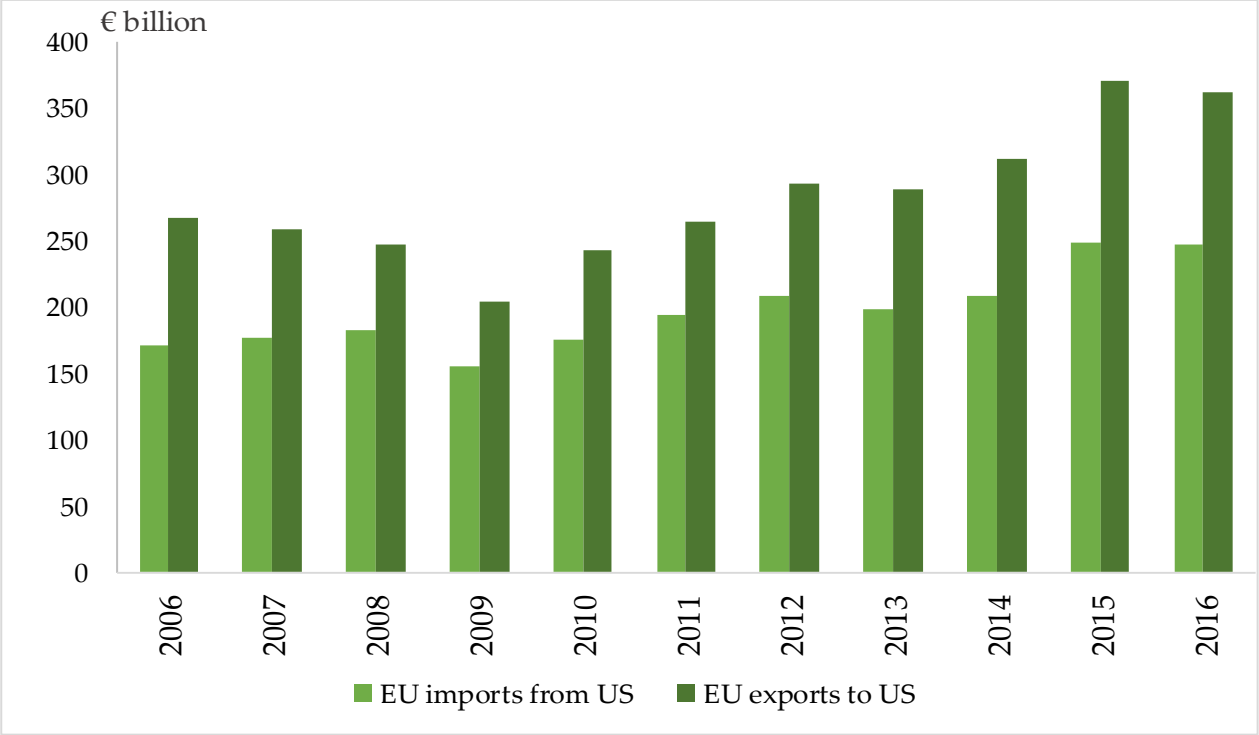
The US President has extensive jurisdiction concerning trade agreements, which is an area where Congress can exercise little restraint. In accordance with the 1974 Fair Trade Act, the president has the power to cut trade deals by exercising a 'fast-track' authority to negotiate trade agreements independent of Congress. These could then be approved with a simple, not a two-third majority in the Senate, and Congress cannot amend them later either. Still, there are certain provisions on presidential power. For instance, in accordance with the 1984 Trade and Tariff Act Congress can set the parameters of these trade negotiation, and the President must also consult Congress on trade negotiations. However, compared with other areas of decision-making such as tax reform, the President enjoys unprecedented power with respect to trade relations, which provides opportunities that Donald Trump is set to fully harness.

Figure 2: European Union's top trading partners, 2016



Source: Eurostat,
http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tet00018&language=en

Figure 3: EU trade flows with the US, 2006-2016



Source: European Commission, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

Since his inauguration as President, Donald Trump has already exercised presidential power in the area of trade agreements. On 24th January, his first full day in office, President Trump signed an executive order to withdraw the US from the Trans-Pacific Partnership, a 12-nation trade agreement that was already negotiated, and that, if ratified, would have covered 40% of the world economy, and would have had net positive impacts on the economies of all signatories including the US.[8] On 14th August, the US has also launched the renegotiation of the North American Free Trade Agreement, a 23-year-old trade deal between the US, Canada and Mexico, with the primary aim of shrinking the US's growing trade deficit with Mexico. Negotiations of the Transatlantic Trade and Investment Partnership, a proposed trade agreement between the US and the European Union, has also stalled since the new President's inauguration, and further progress is believed to be highly unlikely under Trump's presidential term.

While the steps outlined above would already have grievous economic effects, at worst, Donald Trump's trade policy could lead to a damaging, protracted trade war by triggering a spiral of escalating protectionist measures and counter-measures. According to empirical analysis by the Peterson Institute for International Economics, if a trade war erupted due to Trump's policies, it would have far-reaching negative impacts on the

[8] https://www.usitc.gov/publications/332/pub4607.pdf

world economy, and could plunge the US economy into deep recession as well as cost the country up to 4 million private sector jobs.[9] Thus, Trump's trade policy is not only faulty in logic but also highly dangerous, as it could damage economic growth, trigger a deep recession, and even bring on a new global era of protectionism in the global economy.

Current US-EU trade relations

Today the US and Europe have the largest economic relationship in the world, with US-EU trade accounting for over 40% of world trade. In 2016, the US-EU trade was 17.7% of total EU trade and 18.9% of total US trade. The US is the 1st trading partner and 1st export country for the EU, while the EU is the 1st trading and 2nd export partner of the US. The EU imported €247.826 billion worth of goods and services from the US, while the worth of EU exports to the US amounted to €362.153 billion. As a result, the US had a €114.326 billion worth of trade deficit with the EU, its second largest after that with China.[10] Currently the average tariffs on EU-US trade are under 3%, and there have been efforts in recent years to reduce non-tariff barriers such as customs procedures and regulatory restrictions as well, which has incentivised trade even further. As a result, EU-US trade has expanded over the past years, with total trade increasing by 39% between 2006 and 2016.

These trade ties could be further strengthened with the Transatlantic Trade and Investment Partnership (TTIP), a proposed trade agreement between the US and the 28 member states of the EU, that has been in negotiation since July 2013. While negotiations would require another 4-5 years to be finalised, due to Trump's stance on trade and belief that the TTIP would be disadvantageous for the US, it is highly unlikely that the agreement could be negotiated and ratified under his presidency.

The costs of Trump's protectionism for the EU

The United States being the first trading partner of the European Union, protectionist US policies could entail high costs for the EU economy. Such measures are also likely to be high on Donald Trump's agenda, given that the 2nd largest trade deficit of the US is with relation to the EU. The most likely measure would be the imposition of tariffs on EU imports to the US. Comprehensive tariff reforms – generally, or specifically for EU imports – are yet to be passed, yet the Trump administration has already vowed to take certain steps that would hurt the EU economy.

For instance, the President has threatened to impose reciprocal tariffs on imported goods, meaning in the EU's case that he would raise US tariffs on certain EU goods to match the higher EU tariffs on the import of these goods from the US. While this would be done in the name of making US goods more competitive, this reasoning displays an incorrect understanding of trade and economics yet

[9] https://piie.com/sites/default/files/nr20160919.pdf

[10] http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

again, as only reaching the EU to lower its tariffs on US goods through negotiating trade agreements could make US goods more competitive in the EU. In June President Trump was also reported to be considering raising import tariffs on steel and other goods to around 20%. While his proclaimed intention was to penalise China, this measure would be most damaging to major US allies including Germany, the UK, and other EU countries. Such a step would hurt EU economies, and if the EU reciprocated, could even lead to a trade war. Such a consequence is all too plausible, since the EU responded to these news by assembling a list of imported US goods it could raise import tariffs on in retaliation. Consequently, although faulty in logic, raising US tariffs would nonetheless have detrimental and dangerous effects for the EU economy.

While such protectionist measures would hurt the US economy as well, its harmful effects for the EU would be of a larger scale. This is primarily since international trade amounts to a larger proportion of the EU economy. According to OECD data, in 2015 exports made up 44% of EU GDP, and only amounted to 12.5% of US GDP, with the OECD average being 28.8%. Different factor endowments are largely responsible for this. Unlike the US, Europe has geographical restrictions, a fragmental internal market, and a stagnating labour force, which result in greater dependence for economic growth on foreign markets. The larger homogeneous internal market of the US allows firms to exploit increasing economies of scale and use the most innovative technologies, while the same is true to a lesser extent in Europe. Accordingly, free trade agreements are much more crucial for European economic growth and job creation than they are for the US.

Another notable cost of protectionist US policies for the EU is the loss of hope for the ratification of the TTIP under President Trump, and the consequent loss of expected economic gain. In the European Commission's assessment, the total gain from TTIP is estimated to be €120 billion for the EU economy (amounting to 0.5% of its GDP), €95 billion for the US economy (0.4% of its GDP), and €100 billion for the rest of the world. The EU economy's sectors that would benefit the most from the TTIP are motor vehicles (40% increase in exports), as well as metal products (+12%), processed foods (+9%), chemicals (+9%), other manufactured goods (+6%) and other transport equipment (+6%). The TTIP would also generate wage increases and reduce prices, and consequently allow an average EU household of four to gain €500 per year from the trade agreement.[11] Therefore, the fact that the TTIP is highly unlikely to be ratified and no agreement resembling the TTIP is likely to be reached under Trump's presidency is an important cost of US protectionist policy for the EU.

Opportunities arising from US protectionism

While US protectionism could be highly damaging to the EU, there are certain opportunities that the EU could harness in world trade which result from the

[11] http://trade.ec.europa.eu/doclib/docs/2013/september/tradoc_151787.pdf

withdrawal of the US from it. For instance, opening towards Asia and filling the power vacuum left by the US could prove to be such an opportunity. The EU-South Korea Free Trade Agreement signed in July 2011 demonstrates the potential in such deals, as following ratification, EU exports to South Korea rose by 55% between 2011 and 2016. The EU-Japan free trade agreement currently in negotiation could be similarly beneficial, as the removal of tariffs between the two partners could considerably boost trade. If the EU commenced similar negotiations with emerging economies such as Vietnam and Singapore it could exploit its first mover advantage in the region and reach lucrative trade agreements before the US. While trade deals do take years to negotiate, with careful policy planning, EU policymakers could exploit the advantages that arise from US protectionism.

Conclusion

Donald Trump's protectionist trade policies would thus have predominantly detrimental effects on the EU economy. The US raising import tariffs and withdrawing from trade agreements would without doubt negatively impact economic growth and employment in the EU, while the opportunities arising from the United States' withdrawal from global trade are uncertain and their possible positive impact would only be felt in the long term. Finally, the higher possibility of recession and trade wars makes President Trump's protectionism particularly inadvisable and dangerous.

International trends

Development of production, consumption and employment in certain globally significant economies, compared with expectations and values of the previous period.

		Period in review	Actual data	Expectations	Previous period
Germany	Unemployment Rate	(Sept)	**5.6%**	**5.7%**	**5.7%**
	Manufacturing Purchasing Managers Index	(Sept)	**60.6**	**59.0**	**59.3**
	IFO Business Climate Index[1]	(Sept)	**115.2**	**116.0**	**115.9**
France	INSEE Business Climate Index[2]	(Sept)	**109**		**109**
USA	Unemployment Rate	(Sept)	**4.4%**	**4.3%**	**4.4%**
	CB Consumer Confidence Index	(Sept)	**119.8**	**120.0**	**120.4**
	Manufacturing Purchasing Managers Index	(Sept)	**53.0**	**53.0**	**52.8**
China	Manufacturing Purchasing Managers Index	(Sept)	**52.4**	**51.5**	**51.7**

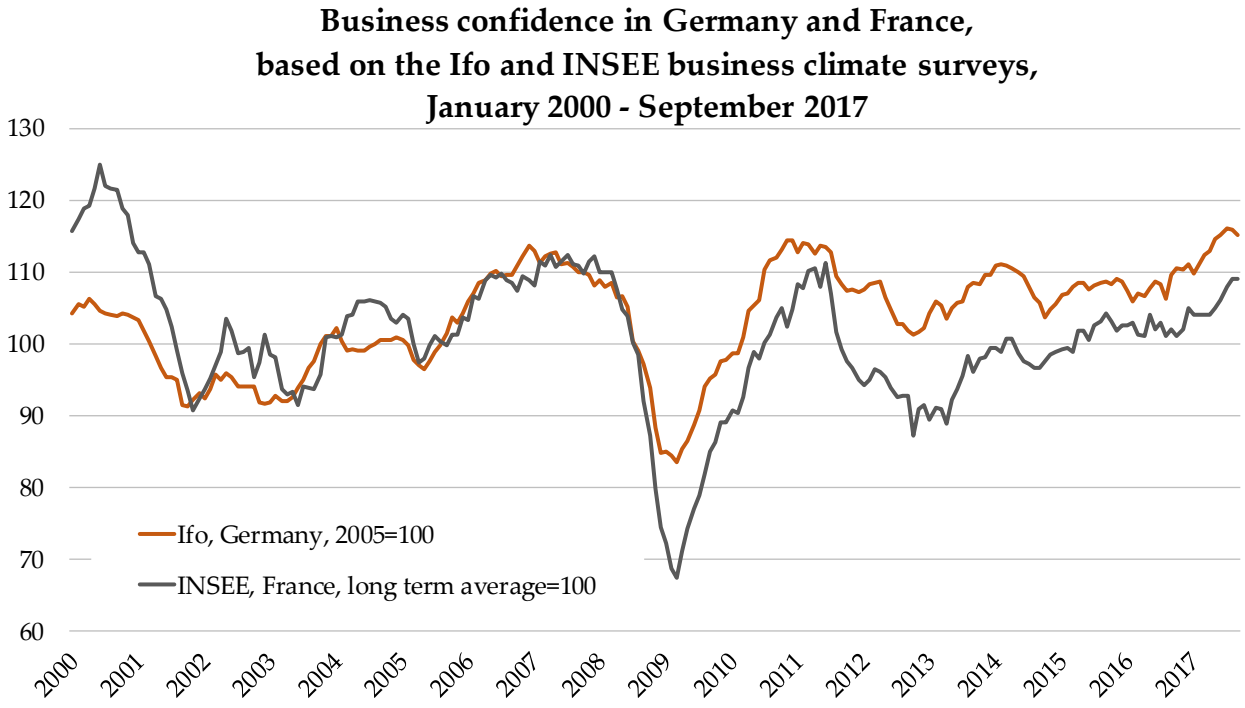
[1] https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/

[2] http://www.insee.fr/en/themes/indicateur.asp?id=105

Source of the remaining data: http://worldeconomiccalendar.com

The performance of the German economy has not changed significantly in September compared to the last months. The level of unemployment stagnates around the 6 percent rate, and has not changed compared to August. The manufacturing purchasing manager index (PMI) has increased moderately compared to the previous month and the expectations. After several months of increase up until August, the IFO business climate index this month shows a continuation of the slight decline but remains at a high level compared to previous periods. The French INSEE business climate index has stagnated at the same level as last month, consolidating the improvement seen in August compared to the previous months. In the United States, the CB consumer confidence index was slightly lower than in the last month and the expectations. The manufacturing PMI shows a modest increase from August. The level of unemployment has remained unchanged since last month, and was slightly higher this month than expected. The Chinese manufacturing PMI, after an unexpected increase in August, continued to perform significantly better than the expectations.

Long-term changes in business confidence indices



Source: www.cesifo.de, www.insee.fr

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