

**IMPACT OF EDUCATION ON LONG-TERM ECONOMIC GROWTH
AND PENSION SYSTEM DEFICITS**

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Abstract

Long-term economic growth has a significant impact on the quality of life in a country. The education of its citizens is an important factor influencing the growth. Nevertheless, the relationship between economic growth and education is very long-term and not apparent at the first glance. However, this long-term relation can be illuminated with the help of quantitative projections. For this purpose, we use empirical estimates presented in the recent OECD report by Erik Hanushek and Ludger Woessmann. If the Czech Republic puts in place educational reform that leads to the increase of average cognitive skill level of 15 year old pupils (as measured by PISA survey) by a mere 25 points - hence only a fourth of the standard deviation, GDP in the current value is estimated to cumulatively increase by 12 trillion CZK over the next 80 years, thus 357 percent of the current annual GDP of the country. Unfortunately, the decrease in average cognitive skills levels that took place in the Czech Republic in the last decade leads to a similar GDP loss. If we were able to improve the average cognitive skills levels to Finnish standards, the additional production would even reach 707% of today's GDP. If the average cognitive skills levels of the children of parents without high school degrees could be brought up to the level of those whose parents have high school degrees, it would increase production by 152% of the current GDP. The potential benefits recalculated in terms of annual budget exceed the current state budget deficit or budget for education. Finally, the higher GDP growth would significantly reduce the cumulated pension deficit.

[Download](#) the complete study (in Czech only).

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