

## **WWS 593p Policy Analysis: Social Security Reform (Session II)**

All over the world, Defined-Benefit, Pay-As-You-Go, Social Security (SS) systems are in crisis. The main reasons for this crisis are demographic trends – decrease in birth rates, increase in life expectancy (longevity) – and shifting preference towards early retirement. These trends created significant actuarial deficits which require a decrease in benefits and/or an increase in contributions, postponement of eligible retirement ages and other parametric changes. Many advocate a more fundamental move, replacing the current with Defined Contribution, funded systems. The creation of personal accounts and market investments raise new issues how to minimize market risks, distributional concerns about low income families and the adequacy of insurance and annuity markets. Consequently, the politics of SS reform are currently the hottest policy issue in most developed countries.

### **Lecture 1**

Concepts and overall view of the crisis of Old-Age security systems worldwide.

**Lecture 2** Move from PAYG to Funded systems and the Transition Problem (Chile, 1981).

**Lecture 3** Minimizing market risks in Defined Contribution, funded systems: government guarantees?

**Lecture 4** Annuitization issues: Theory and practice.

**Lecture 5** Behavioral aspects of SS reform: how much choice?

**Lecture 6** Reform proposals in the U.S.

### **Readings**

Arnold, D., M. Graetz and E. Munnell (eds.) (1998), *Framing the Social Security Debate* (National Academy of Social Security).

*Averting the Old-Age Crisis* (1994), The World Bank.

Bateman, H., G. Kingston and J. Piggott (2002), *Forced Saving: Mandating Private Retirement Incomes*, (Cambridge).

Brown, J., O. Mitchell, J. Poterba and M. Warshawsky (2001), *The Role of Annuity Markets in Financing Retirement*, (MIT).

Diamond, P. (2002), *Social Security Reform*, (Oxford).

Diamond, P. (2003), *Taxation, Incomplete Markets and Social Security*, (MIT).

Diamond, P. (1999), *Issues in Privatizing of Social Security* (National Academy of Social Insurance, (MIT).

Gruber, J. and D. Wise (1999), *Social Security and Retirement Around the World*, (Chicago).