

WWS 593g - Social Security Reforms

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The context

Aging Crisis, declining mortality, fertility and labor force participation of older men.

Policy responses: reduction of benefits and costs, raising contributions.

Core Purposes of Pension Systems

Individual vs. public policy objectives, poverty relief, redistribution and risk sharing within and across generations, common analytical errors.

Design Issues

PAYGO vs. Funding

Defined Benefit vs. Defined Contribution

Notional Defined Contribution (NDC)

Controversies: World-Bank, Feldstein, Diamond.

Basic Economics of Pensions

Consumer rationality and information

Administrative Costs

Labor market effects of pensions

Benefit design (progressivity, survivors)

Political economy considerations

Early eligibility, indexation issues

Macro effects: Implicit vs. explicit debt

Gender and Family

Wages and labor supply by couples, retirement age decisions, family consumption smoothing.

Some Country Reforms:

UK, Chile (1981, 2007), China (2007)

Selected Readings

Averting the Old Age Crisis (World Bank).

Barr, N. and P. Diamond (2008), *Reforming Pensions: Principles and Policy Choices*.

Gruber and Wise (1999) *Social Security and Retirement Around the World*.

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

Bateman, H., G. Kingston and J. Piggott (2001) *Forced Savings*.