Social Security and the Pensions Crisis: A short course

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April 7th, 8th, 9th 2014 ■ 9.30 - 13.00 ■ Sala de Recepcions

Faculty of Economics and Business, Universitat de Barcelona

Background

A "pensions crisis" looms for many developed economies in which the output of the working-age population will not be sufficient to sustain the living standards of the retired. Many countries have begun to reform their social security systems to mitigate the crisis. State pensions have been reduced and a greater emphasis placed on self-reliance. The course explores the role of social security in redistributing resources between generations and the many issues that surround policy reforms.

Contents

The course is divided into five sections:

1. <u>The pensions crisis</u>
   An introduction to the operation of pension schemes and a discussion of the sources of the pensions crisis.

2. <u>Dynamic efficiency and social security</u>
   An analysis of the effect of social security within the overlapping generations economy with attention focussed on dynamic efficiency.

3. <u>The political economy of social security</u>
   The justification for social security and the reasons why social security schemes can be sustained in the long run.

4. <u>Pension reform</u>
   A discussion of potential reforms and an analysis of how these reforms may affect the growth path of the economy.

5. <u>The behavioural approach to social security</u>
   Recent research in behavioural economics that explores why individuals may rationally choose to under-invest into pensions, and the policy proposals that follow from this.

Textbook Reading

Hindriks, J. and Myles, G.D. (2013) *Intermediate Public Economics*, Cambridge: MIT Press.

McCaffery, E.J. and Slemrod, J. (2006) *Behavioral Public Finance*, New York: Russell Sage Foundation.

Myles, G.D. (1995) *Public Economics*, Cambridge: Cambridge University Press.

Sample Reading

Angeletos, G.-M. and Laibson, D. (2001) "The hyperbolic consumption model", *Journal of Economic Perspectives*, **15**, 47 – 68.

Banks, J., and Emmerson, C. (2000) "Public and private pension spending: Principles, practice and the need for reform", *Fiscal Studies*, **21**, 1 – 63.

Bernheim, B. D., and Bagwell, K. (1988) "Is everything neutral?", *Journal of Political Economy,* **96**, 308 –3 38.

Bernheim, B.D. and Rangel, A. (2005) "Behavioral public economics", NBER Working Paper NO. 11518.

Diamond, P. A. (1997) "Macroeconomic aspects of social security reform", *Brookings Papers on Economic Activity*,(2): 1 – 87.

Diamond, P. A. (2001) "Issues in Social Security Reform", in S. Friedman and D. Jacobs, eds., *The Future of the Safety Net: Social Insurance and Employee Benefits*, Ithaca: Cornell University Press.

Galasso, V., and Profeta, P. (2004) 2Lessons for an aging society: The political sustainability of social security systems", *Economic Policy*, **38**, 63 – 115.

Miles, D. (1998) "The implications of switching from unfunded to funded pension systems" *National Institute Economic Review,* (165), 71 – 86.

Mulligan, C. B., Gil, R., and Sala-i-Martin, X. (2002) "Social security and democracy", NBER Working Paper 8958.

Mulligan, C. B., Gil, R., and Sala-i-Martin, X. (2004) "Do democracies have different public policies than nondemocracies?", *Journal of Economic Perspectives*, **18**, 51 – 74.

Samuelson, P. A. (1975) "Optimum social security in a life-cycle growth model", *International Economic Review*, **16**, 539 - 544.

Scholz, J., Seshadri, A. and Khitatrakun, S. (2006) "Are Americans saving "optimally" for retirement?", *Journal of Political Economy*, **114**, 607 – 643.

Registration

Confirm your attendance HERE before April the 1st.