UNIVERSITY OF THE PHILIPPINES
SCHOOL OF ECONOMICS

and

PCED | Philippine Center for Economic Development

present a seminar on

"Transitioning to a Higher Retirement Age"

By

Sarah Lynne S. Daway, PhD
Assistant Professor

29 January, Friday
4:00-5:00 p.m. – Room 303

Abstract:

Rising concerns over the pending retirement of the Baby Boom generation, declining fertility and increasing longevity have spurred discussions on the merits of raising the retirement age to 70 years old. This paper formally analyzes the transitional and long-run macroeconomic and welfare effects of such a reform in the context of a 65-period dynamic overlapping generations framework, where exponential-discounting (ED) and quasi-hyperbolic-discounting (QHD) agents are allowed to co-exist. Raising the retirement age, along with sufficiently reducing the social security tax rate, can yield rising trends of both consumption per worker and output per worker in the transition to the long run in a mixed economy, while the same reform can have the opposite effects in purely-ED and purely-QHD economies. Moreover, varying the fraction of QHD agents unveils pecuniary externalities that may manifest in distinct saving behaviors of ED and QHD agents, resulting in dissimilar welfare impacts. Indeed, a higher retirement age works like a commitment mechanism that allows sophisticated QHD agents to mitigate the adverse welfare implications of present-biasedness.

About the speaker:

Sarah Daway is an Assistant Professor in the University of the Philippines School of Economics. She obtained her PhD in Economics from the University of California Riverside. Her main field of interest is macroeconomics.

Free and open to the public
For group attendance, please contact Ms. Gloria Lambino, UPSE Economics Research Center
Phone: 632-9205465, Email: gdlambino@econ.upd.edu.ph