

ECONOMICS & PUBLIC POLICY –WEEK of Dec 20th

1.) “Critics Say Bush Overstates Social Security Problems,” by Don Gonyea (US National Public Radio *All Things Considered*, December 17, 2004).

[Note: RealPlayer or Windows Media Player required to hear this audio transcript, running time: 4 minutes 9 seconds.]

“The Bush administration has made Social Security reform a top priority in its second term. In arguing for partial privatization of the system, the president and his supporters warn of dire consequences unless something is done. Bush’s critics say he is arguing for overly drastic measures.”

<http://www.npr.org/rundowns/rundown.php?prgDate=17-Dec-2004&prgId=2>

Scroll to, or “find in page” “Social Security” (without the quotes).

2.) SWEDEN NEWS: “Pension taxation: Commission requests Sweden to end discrimination against foreign pension funds” (EUROPA press release, December 20, 2004).

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1500&format=HTML&aged=0&language=EN&guiLanguage=en>

3.) “A Defense of Private Social Security Accounts” (US National Public Radio *All Things Considered*, Dec. 20, 2004, [RealPlayer or Windows Media Player plug-in or helper application required to hear this audio transcript, running time 4 minutes 42 seconds]

“NPR’s Robert Siegel talks with the Brookings Institution’s Bill Frenzell, an advocate of the president’s plan to privatize Social Security. Frenzel is a former Republican congressman from Minnesota and also sat on the president’s commission to strengthen Social Security.”

<http://www.npr.org/rundowns/rundown.php?prgId=2&prgDate=20-Dec-2004>

Scroll to or “find in page” “A Defense of Private Social Security Accounts” (without the quotes).

4.)CBO REPORT

A. “Medicaid’s Reimbursement to Pharmacies for Prescription Drugs,” (Congressional Budget Office, December 2004, .pdf format, 13p.).

<http://www.cbo.gov/ftpdoc.cfm?index=6038&type=1>

B. “Long-Term Analysis of the Diamond-Orszag Social Security Plan,” (Congressional Budget Office, December 2004, .pdf format, supplemental tables in Excel format, 37p.). <http://www.cbo.gov/ftpdoc.cfm?index=6044&type=1>

5.) DHHS TASK FORCE ON DRUG IMPORTATION REPORT: “Report on Prescription Drug Importation,” (December 21, 2004, .pdf format, 130p.).

<http://www.hhs.gov/importtaskforce/Report12-20.pdf>

6.) BOSTON COLLEGE CENTER FOR RETIREMENT RESEARCH ISSUE BRIEF: “Improving 401(k) Investment Performance,” by William G. Gale, J. Mark Iwry, Alicia H. Munnell, and Richard H. Thaler (IB #26, December 2004, .pdf format, 8p.).http://www.bc.edu/centers/crr/ib_26.shtml

7.) FINANCIAL SERVICES ROUNDTABLE REPORT: “The Future of Retirement Security in America,” by The Financial Services Roundtable’s Blue Ribbon Commission on Retirement Security (December 2004, .pdf format, 41p.).

<http://www.fsround.org/pdfs/RetirementSecurityFuture12-20-04.pdf>

For more information about FSR: <http://www.fsround.org/aboutus.html>

8.) TRANSAMERICA CENTER FOR RETIREMENT STUDIES REPORT: "Transamerica Small Business Retirement Survey," (December 2004, .pdf format, 160p.).

http://www.ta-retirement.com/TheCenter/tcrs_content_viewer.aspx?id=815

For more information about the Center:

<http://www.ta->

[Retirement.com/TheCenter/tcrs_content_viewer.aspx?id=/content/taweb/TheCenter/AboutTheCenter/Mission](http://www.ta-Retirement.com/TheCenter/tcrs_content_viewer.aspx?id=/content/taweb/TheCenter/AboutTheCenter/Mission)

9.) NATIONAL BUREAU OF ECONOMIC RESEARCH [NBER:]

A. "Happy News from the Dismal Science: Reassessing the Japanese Fiscal Policy and Sustainability," by Christian Broda and David E. Weinstein (National Bureau of Economic Research Working Paper w10988, December 2004, .pdf format, 44p.).

Abstract:

We analyze fiscal policy and fiscal sustainability in Japan using a variant of the methodology developed in Blanchard (1990). We find that Japan can achieve fiscal sustainability over a 100-year horizon with relatively small changes in the tax-to-GDP ratio. Our analysis differs from more pessimistic analyses in several dimensions. First, since Japanese net debt is only half that of gross debt, we demonstrate that the current debt burden is much lower than is typically reported. This means that monetization of the debt will have little impact on Japan's fiscal sustainability because Japan's problem is the level of future liabilities not current ones. Second, we argue that one obtains very different projections of social security burdens based on the standard assumption that Japan's population is on a trend towards extinction rather than transitioning to a new lower level. Third, we demonstrate that some modest cost containment of the growth rate of real per capita benefits, such as cutting expenditures for shrinking demographic categories, can dramatically lower the necessary tax burden. In sum, no scenario involves Japanese taxes rising above those in Europe today and many result in tax-to-GDP ratios comparable to those in the United States.

<http://papers.nber.org/papers/w10988>

Click on "PDF" or submit your email address for full text.

B. "The Interaction of Public and Private Insurance: Medicaid and the Long-Term Care Insurance Market," by Jeffrey R. Brown and Amy Finkelstein (National Bureau of Economic Research Working Paper w10989, December 2004, .pdf format, 56p.).

Abstract:

We show that the provision of even incomplete public insurance can substantially crowd out private insurance demand. We examine the interaction of the public Medicaid program with the private market for long-term care insurance and estimate that Medicaid can explain the lack of private insurance purchases for at least two-thirds and as much as 90 percent of the wealth distribution, even if comprehensive, actuarially fair private policies were available. Medicaid's large crowd out effect stems from the very large implicit tax (on the order of 60 to 75 percent for a median wealth individual) that Medicaid imposes on the benefits paid from private insurance policies.

Importantly, Medicaid itself provides an inadequate mechanism for smoothing consumption for most individuals, so that its crowd out effect has important implications for overall risk exposure. An implication of our findings is that public policies designed to stimulate private insurance demand will be of limited efficacy as long as Medicaid continues to impose this large implicit tax.

<http://papers.nber.org/papers/w10989>

Click on "PDF" or submit your email address for full text.

10.) UNIVERSITY OF TARTU FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION:

"Old-Age Pension Reform in Estonia on the Basis of the World Bank's Multi-Pillar Approach," by Liina Kulu and Janno Reiljan (Working Paper Series No. 34, 2004, .pdf format, p.).

Abstract:

The current literature about old-age pensions can be characterised by the numerous analyses of pension system reforms in developed countries as well as in developing ones. Although the radical change in economic and social values during the process of transition from command economy to market economy offers many special cases for economists as well as social scientists, only some of them have analysed the developments of pension systems in Central and Eastern European countries. Therefore, the purpose of the present paper is to analyse the adjustments in publicly managed pillar as well the implementation of the funded component of pensions in Estonia, described by previous analyses in general as successful reforms in comparison with the other transition countries.

Firstly, in the working paper the aims and the design of the pension system as well as main factors determining pension reform are studied on a theoretical basis. Next, the general overview of the reforms and more specific assessment of the changes in publicly managed scheme and the implementation of the funded scheme in Estonia are given. Finally, the challenges of the multi-pillar pension scheme in Estonia are described and in order to cope successfully with these challenges, some suggestions are made. The study explains that the undervaluation of the social dimension in comparison with the economic one has taken place during the transition period. The pension reform has to some extent ensured the financial sustainability of the pension system, but not fulfilled the two other objectives defined in 2001 by the European Council in Göteborg as a basis of sustainability of the pension system - to guarantee safe and adequate pensions and to respond to the changing needs of society and individuals. The present old-age pensioners (as well as the pensioners in the future) are directly placed at the risk of poverty and the opportunities of elderly people to participate in the societal life are very limited in comparison to the active population. The changes in publicly managed scheme as well as the implementation of the mandatory funded system (II pillar) and supplementary funded system (III pillar) during the period 1997-2002 have not been successful in avoiding potential demographic and macroeconomic risks in the near future.

<http://www.mtk.ut.ee/orb.aw/class=file/action=preview/id=61208/febawb34.htm>

11.) HRS BIBLIOGRAPHY UPDATE: The following items have recently been added to the Health and Retirement Study. For the full bibliography see:

http://hrsonline.isr.umich.edu/papers/sho_papers.php?hfyle=bib_all

JOURNAL ARTICLES:

French, E. and Jones, J. B., On the Distribution and Dynamics of Health Costs *Journal of Applied Econometrics*, vol. 19, pp. 705-721, 2004.

Gustman, A. L. and Steinmeier, T. L., Social Security, Pensions and Retirement Behaviour Within the Family *Journal of Applied Econometrics*, vol. 19, pp. 723-737, 2004.

Hurd, M. D., Smith, J. P., and Zissimopoulos, The Effects of Subjective Survival on Retirement and Social Security Claiming *Journal of Applied Econometrics*, vol. 19, pp. 761-775, 2004.

Joulfaian, D. and McGarry, K., Estate and Gift Tax Incentives and Inter Vivos Giving *National Tax Journal*, vol. 57, pp. 429-444, 2004.

McNamara, T. K. and Williamson, J. B., Race, gender, and the retirement decisions of people ages 60 to 80: Prospects for age integration in employment *International Journal of Aging and Human Development*, vol. 59, pp. 255-286, 2004.

Picone, G. A., Sloan, F., and Trogdon, J. G., The effect of the tobacco settlement and smoking bans on alcohol consumption. *Health Economics*, vol. 13, pp. 1063-1080, 2004.

Shuey, K. M., Worker preferences, spousal coordination, and participation in an employer-sponsored pension plan *Research on Aging*, vol. 26, pp. 287-316, 2004.

MONOGRAPHS:

Johnson, R.W., Do Spouses Coordinate Their Retirement Decisions? 2004. Center for Retirement Research at Boston College. CRR Issue Brief No. 19.

Michaud, P.-C. and Van Soest, A., Health and Wealth of Elderly Couples 2004. RAND Labor and Population Series. RAND WR-191.

Poterba, J.M., Saving for Retirement: Taxes Matter 2004. Center for Retirement Research at Boston College. CRR Issue Brief No. 17.