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WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

RESEARCH SEMINAR IN ECONOMIC THEORY

May 14, 2009

University of Vienna

1010 Wien, Dr. Karl Lueger-Ring 1

“Elise Richter-Saal”

(from the main entrance go left and then straight all the staircases up)

4:00 pm

Radim Bohacek

Economics Institute, Prague, Czech Republic

***“Social Security Reform in a Dynastic Life-Cycle
Model with Exogenous Fertility”***

Abstract printed on the next page

5:30 pm

Martin Meier

IAE and IHS

“Dynamic Unawareness and Rationalizable Behavior”

Abstract printed on the next page

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<http://www.univie.ac.at/vwl/EconomicTheory.html>

NOTE: Participation of advanced students in this seminar is highly recommended.



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ABSTRACTS

Radim Bohacek

Czech Technical University

“Social Security Reform in a Dynastic Life-Cycle Model with Exogenous Fertility”

This paper studies the effects of a fully funded social security reform with endogenous fertility in a detailed, general equilibrium life-cycle model with dynasties whose members differ in skills and life uncertainty. We find that as high skill households tend to save relatively more in assets than in children, models with exogenous fertility underestimate the aggregate capital stock in the PAYG steady state. These models also predict that the capital stock increases after the fully funded reform. However, because the high skill households respond to the reform by having more children and investing less in assets, the average fertility increases and the aggregate capital stock falls. The welfare gains from the elimination of social security seem to more than compensate the agents for the lost insurance against life-span and earning risks. Finally, while in the fully funded system all parents rely on the old-age support from children during retirement, in the PAYG system only low skill parents receive transfers from their children.

Martin Meier

IAE and IHS

“Dynamic Unawareness and Rationalizable Behavior”

We define generalized extensive-form games which allow for mutual unawareness of actions. We extend Pearce's (1984) notion of extensive-form (correlated) rationalizability to this setting, explore its properties and prove existence. We define also a new variant of this solution concept, prudent rationalizability, which refines the set of outcomes induced by extensive-form rationalizable strategies. Finally, we define the normal form of a generalized extensive-form game, and characterize in it extensive-form rationalizability by iterative conditional dominance

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