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- May 28, 2009, 5 pm
 - HS II (lecture room II)
Institute for Advanced Studies
Stumpergasse 56, A – 1060 Wien
<http://economics.ihs.ac.at/seminars>

JOINT VIENNA MACROECONOMICS SEMINAR

Ben Heijdra,
University of Groningen & IHS:

“Retirement and economic growth in a life-cycle model: The role of annuities”

We study the implications of an imperfect annuity market on individual agents' labour supply and retirement decisions and on the macroeconomic growth rate in an overlapping generations model with endogenous growth. We model imperfect annuities by setting the interest rate faced by agents lower than the actuarially fair rate. Our core model features age-independent wages, and a constant death probability during life. In the first extension we study the implications for microeconomic decisions and macroeconomic outcomes of a hump-shaped life-cycle profile in labour productivity. In the second extensions we postulate a realistic mortality process. Our main findings are that the limited availability of annuities induces agents to retire early in the first two models, but later in the model with age-dependent mortality. In all cases, the general equilibrium repercussion is that economic growth is lower under imperfect annuities than with perfect annuities.