

Abstract:

This paper reviews a number of recent contributions that study pension design with myopic individuals. Its objective is to explore how the presence of more or less myopic individuals affects pension design when individuals differ also in productivity. This double heterogeneity gives rise to an interesting interplay between paternalistic and redistributive considerations, which is at the heart of most of the results that are presented. The main part of the paper is devoted to the issue of pension design when myopic individual do not save "enough" for their retirement because their "myopic self" (with a high discount rate) emerges when labor supply and savings decisions are made.

A number of extensions and variations are considered in the second part. In particular we deal with situations where labor disutility or preferences for consumption are subject to "habit formation" and where sin goods have a detrimental effect on second period health. Myopic individuals tend to underestimate the effects of both habit formation and sinful consumption, which complicates public policy.

.....

Since receiving his B.A and M.A degrees in economics from the University of Louvain and then his PhD from Yale, **Pierre Pestieau** has had over thirty years of experience teaching and conducting research in public economics and population economics first at Cornell and then at the University of Liege. Since 2008 he is Professor Emeritus at the University of Liege. He is member of CORE, Louvain-la-Neuve and associate member of PSE, Paris. He is also CEPR, IZA and CESifo Fellow. He is currently coeditor of the Journal of Public Economics and associate editor of *Economica*, *Finanzarchiv*, *Public Economic Theory* and *CESifo Economic Studies*. Professor Pestieau's major interests are pension economics, social insurance, inheritance taxation, redistributive policies and tax competition. His articles have been published in such leading journals as *Econometrica*, the *Journal of Economic Theory*, *Economica*, the *Journal of Public Economics*, the *Journal of Population Economics* and the *Scandinavian journal of Economics*. His most recent book with Robert Fenge "Social Security and Retirement" has been published by the MIT Press. He has also published at Oxford University Press "The Welfare State in the European Union". Prior books were devoted to the performance of public enterprises, inheritance and the underground economy. Professor Pestieau has held visiting positions at the University of Cornell, London School of Economics, the University of Toulouse, Montreal, Marseille, Paris (1 and 10), Le Mans and Louvain. He has been a consultant to various national and international agencies, including the IMF, the World Bank, the OECD and the European Commission.

The Center for Research in Economic Analysis of the University of Luxembourg is pleased to invite you to the **Lunchtime Seminar in Economics:**

Myopia, redistribution and pensions

By **Pierre Pestieau**
University of Liège

March 31, 2010
13:00 – 14:00

Campus Limpertsberg - Room BS001
162a, avenue de la Faïencerie
L-1511 Luxembourg

Lunch is planned for the participants

Registration: by email to fdef-colloques@uni.lu

Contact : Elisa Ferreira (+352 46 66 44 6336)