



“Demographics, Pensions and Current Accounts” by M. Rinawi and L. Wicht

Discussion by: Mitali Das
Research Department
IMF

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Overview of Paper

- Remodeling demographics in the EBA model
 - Accounting for the whole population distribution
 - Pensions. Fully-funded, PAYG, coverage, replacement ratios
- Findings
 - Smoother contributions of demographic block
 - Fully-funded: potentially large; PAYG: none
- Implications
 - Shifts in CA norms. E.g. Switzerland ↑, Malaysia ↑, US ↓

Contributions

- Systematic approach to an important determinant of the CA
- Flexible modeling
 - Fine age grouping
 - Cubic age-group coefficients
- LCH + Institutionalizing saving
 - Frictions. Myopia, credit constraints
 - PAYG vs. Fully-funded
- Data: pension structure, coverage and replacement

Discussion Points

- Conceptual
 - Demographic static: flexible cubic vs. theoretically grounded
 - Mixture of systems
- Empirical
 - EBA model. Primary balance
 - Measurement. Replacement rates, administrative data
 - Smoother fits
- Other
 - Adding-up constraints of CA

Conceptual issues

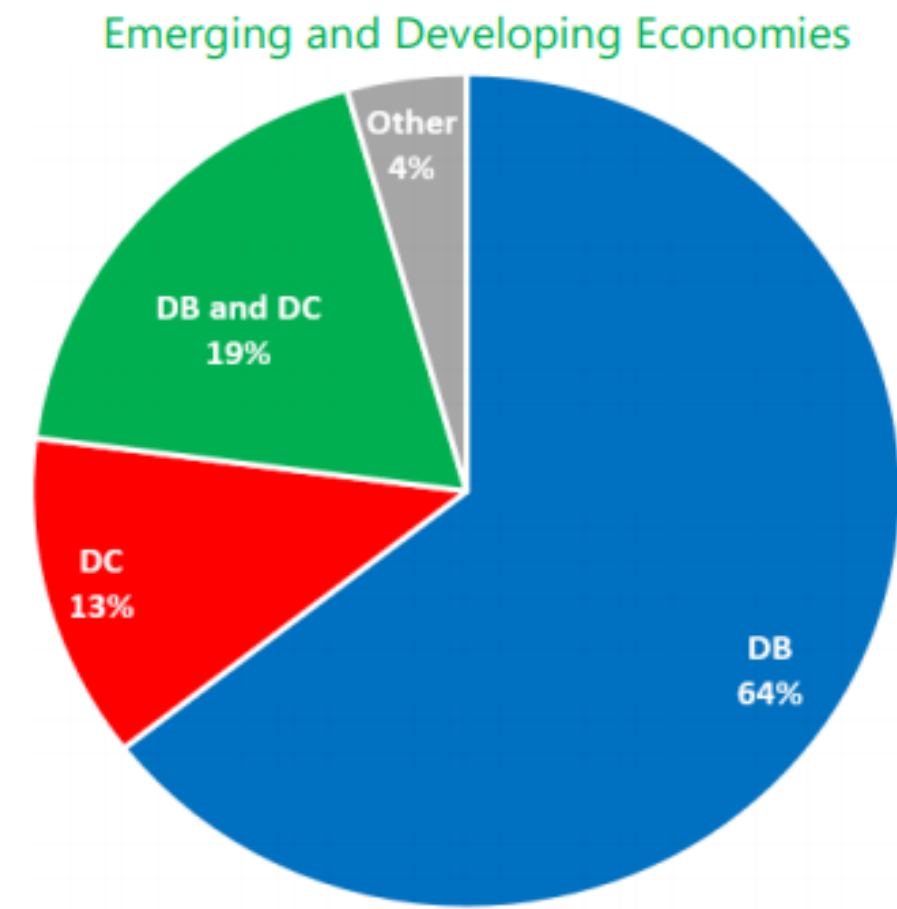
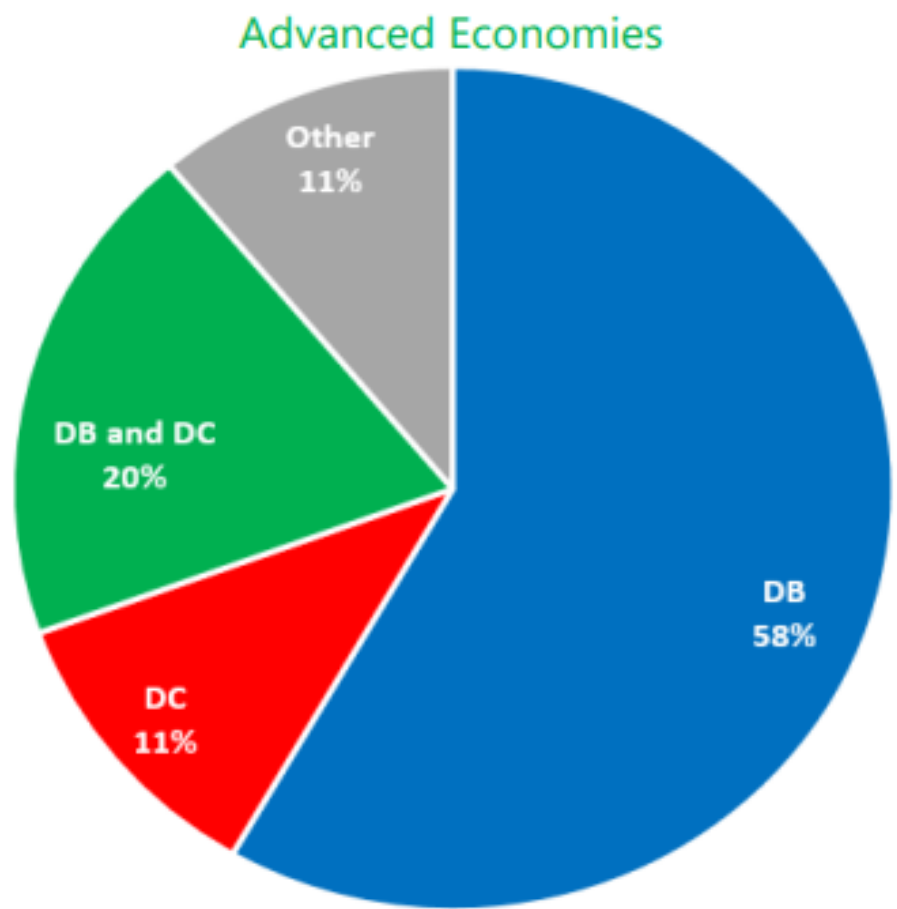
Demographic static: flexible cubic vs. theoretically grounded

- Variables: Population growth, OADR, prime-saver share
- Economic rationales for investment, consumption and saving
- Pros and cons

Mixture of systems

- 2016: 11 mixed. Earlier years: transition
- Coverage - working-age population
- Differences in generosity of PAYG vs FF

Mixture of systems



Sources: US Social Security Administration (2015-16); and IMF staff calculations.

Empirical issues

EBA Model

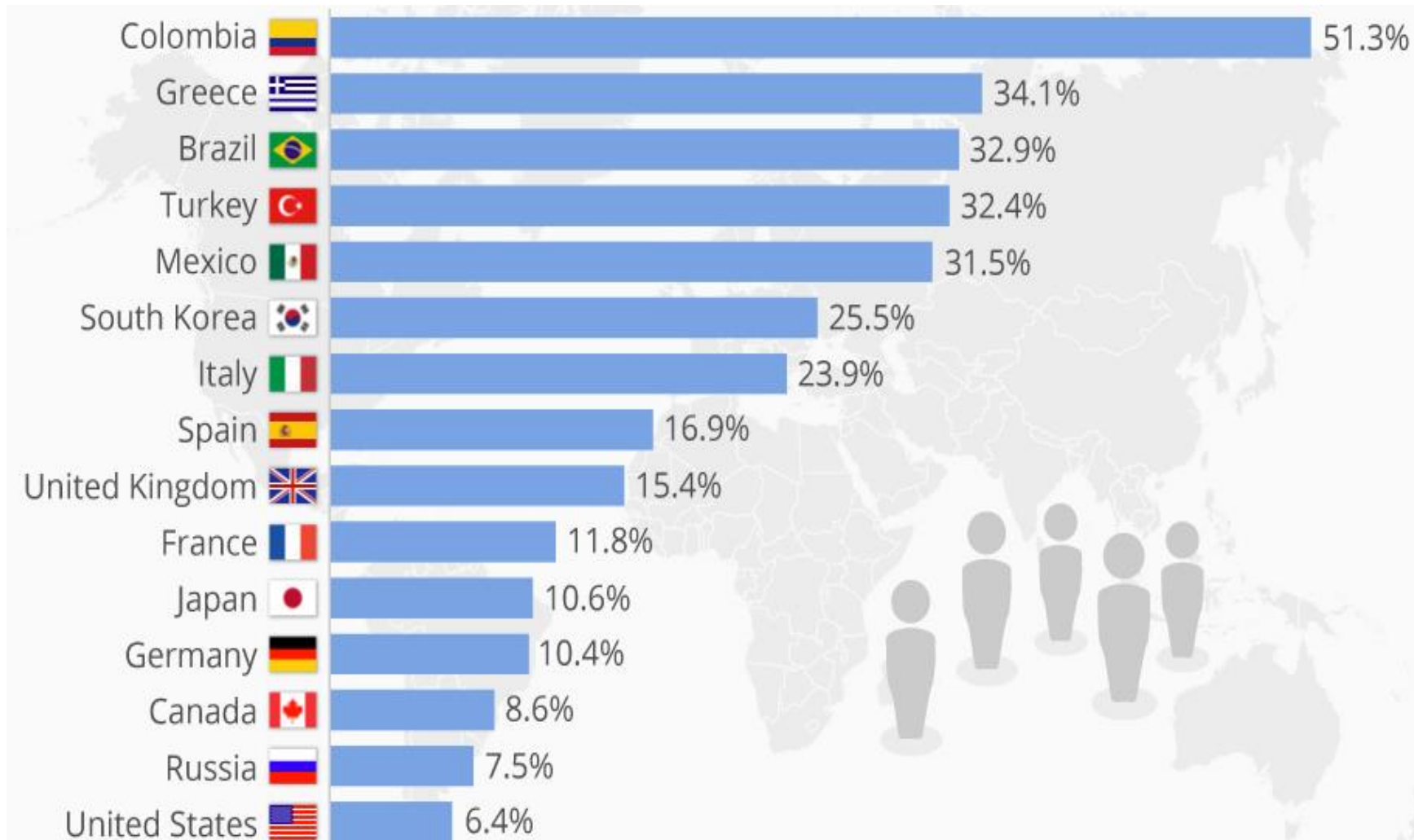
- Primary fiscal balance

Measurement. Replacement rates, administrative data

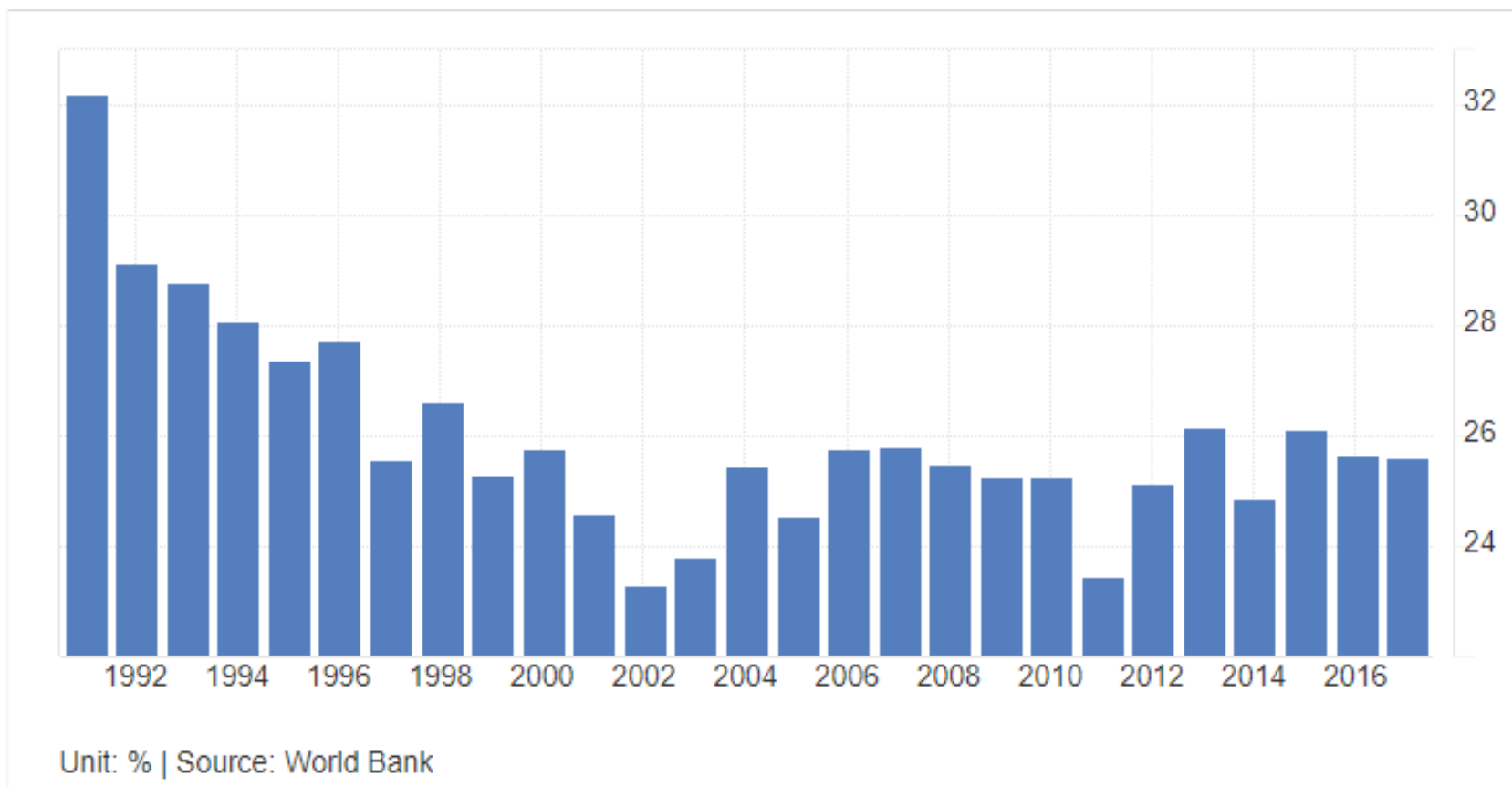
- 2016: 7 FF only; 31 PAYG. Zeros
- Administrative data for EMs.
 - SSA. self-employed, agriculture
 - EMs. Informal sector

Self-employment rates

(share of total workers, 2016)

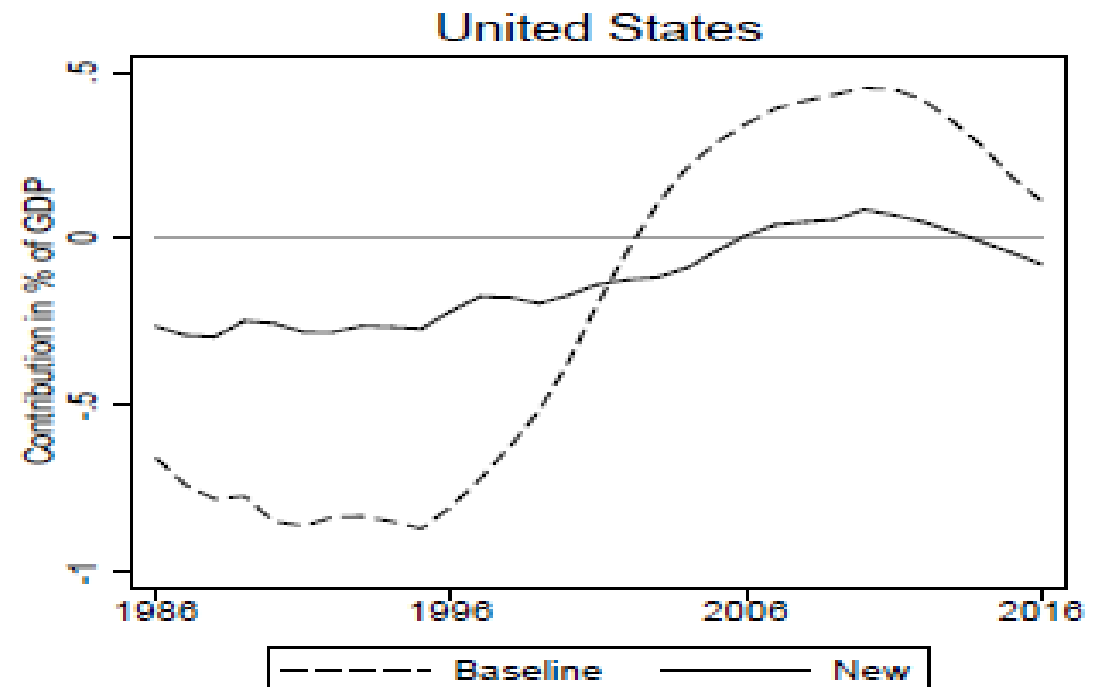
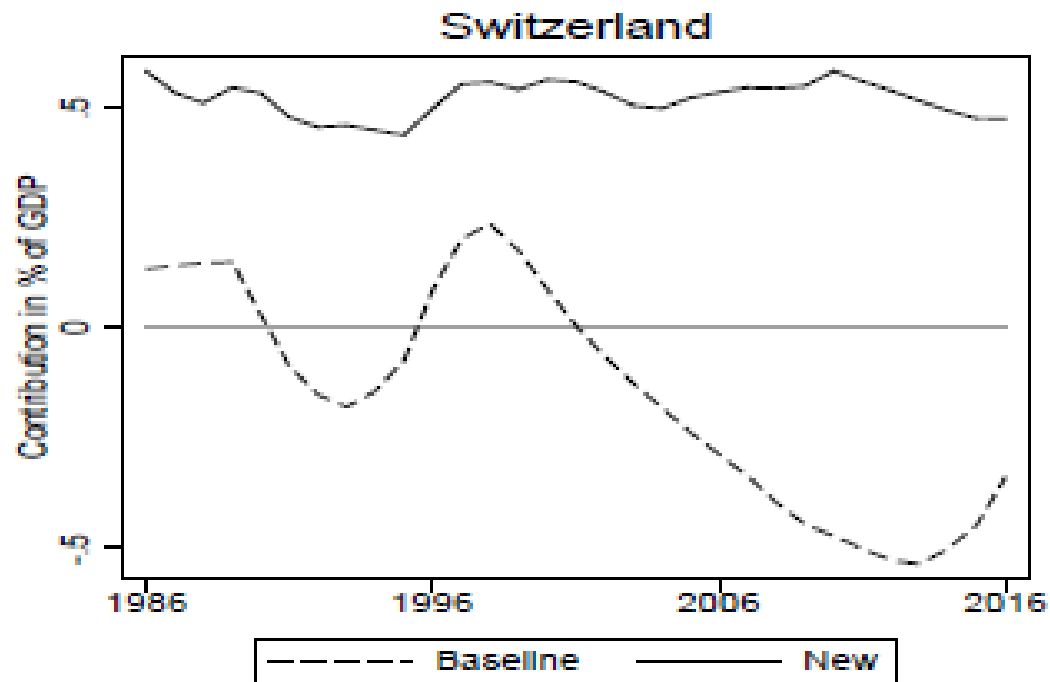


Malaysia, self-employment rates

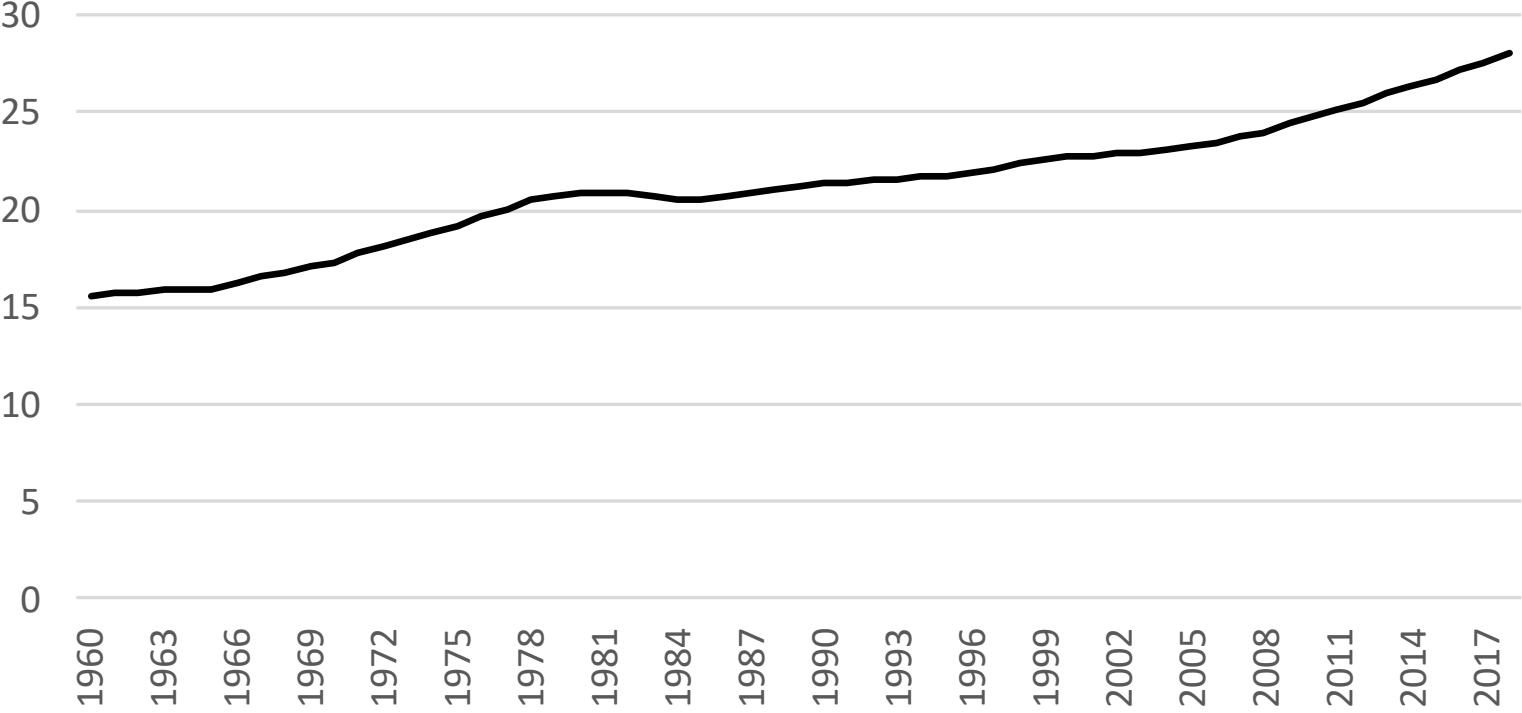


Empirical Issues: smoother fits

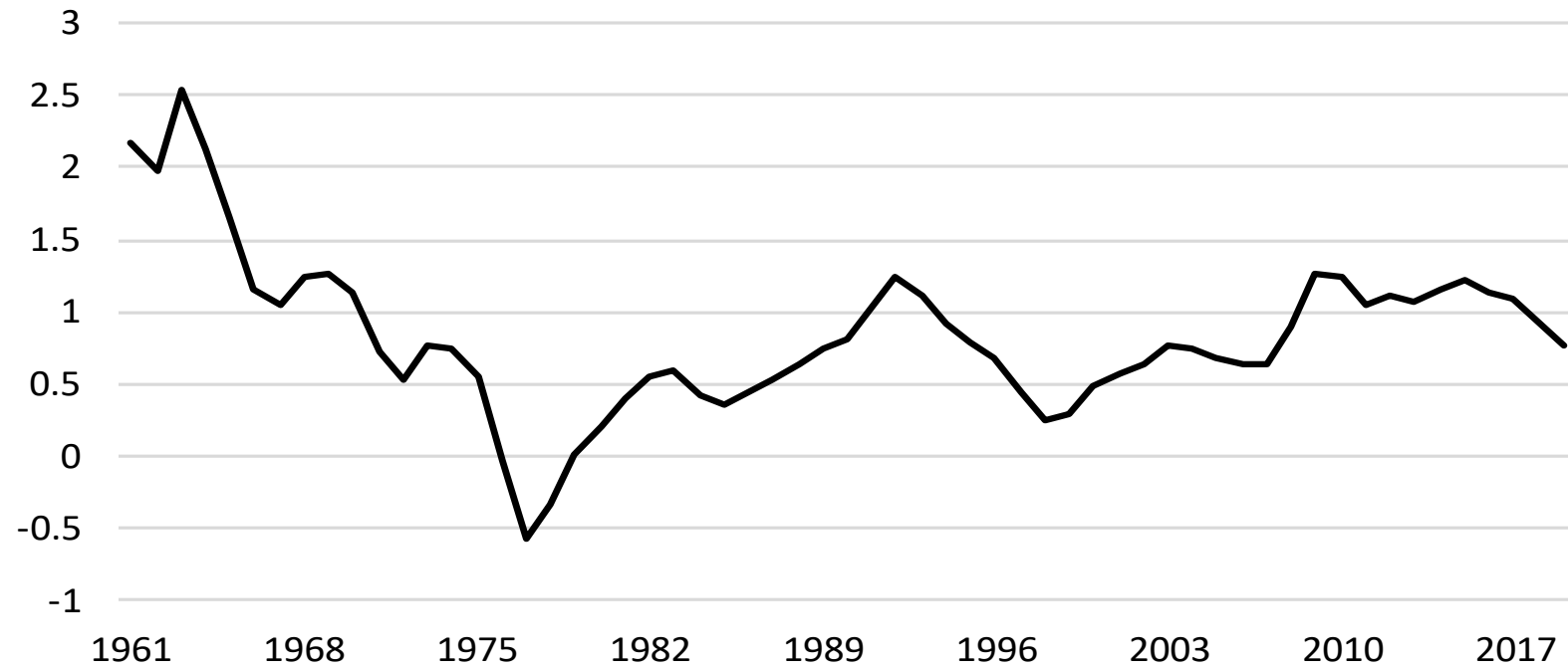
- Smoother fits. Warranted?
- Differences in Static Contributions. IMF vs. SNB:



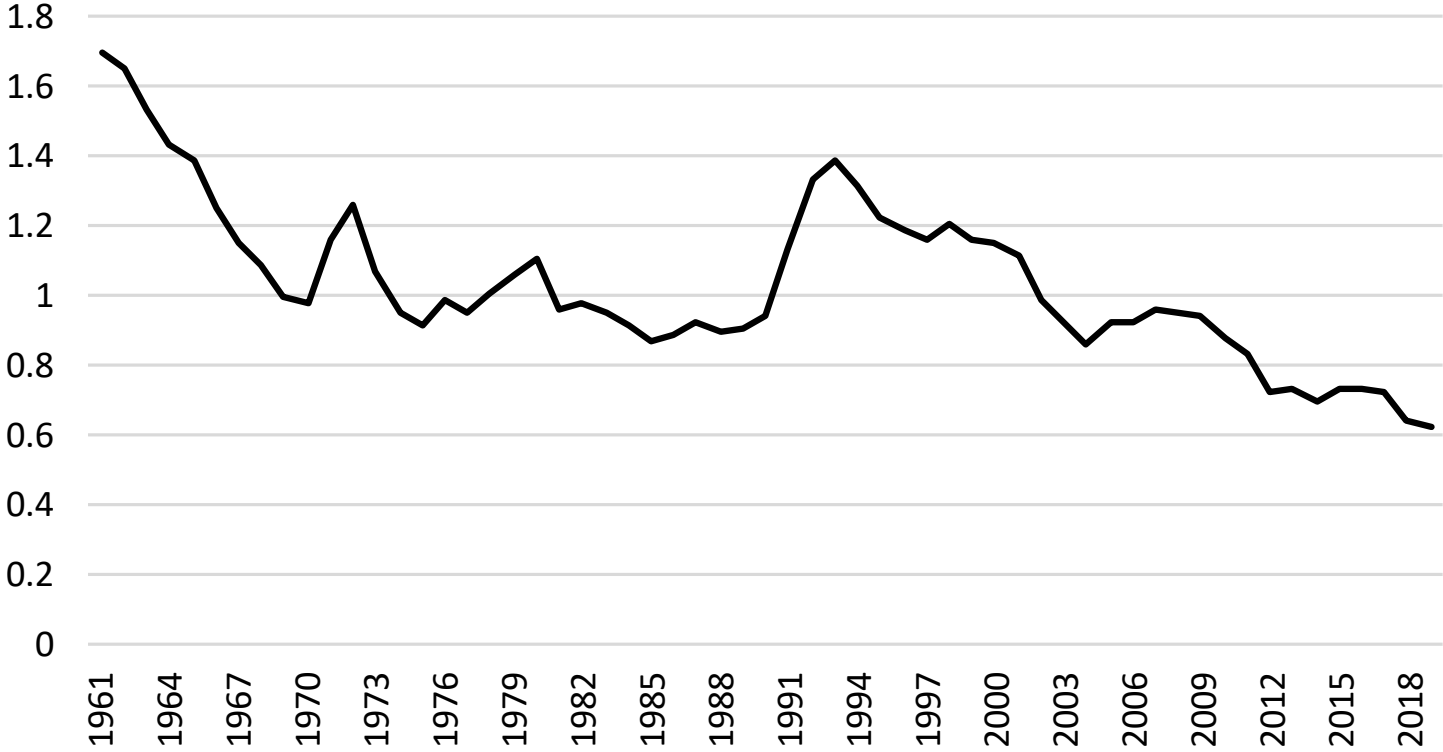
Switzerland: OADR (percent)



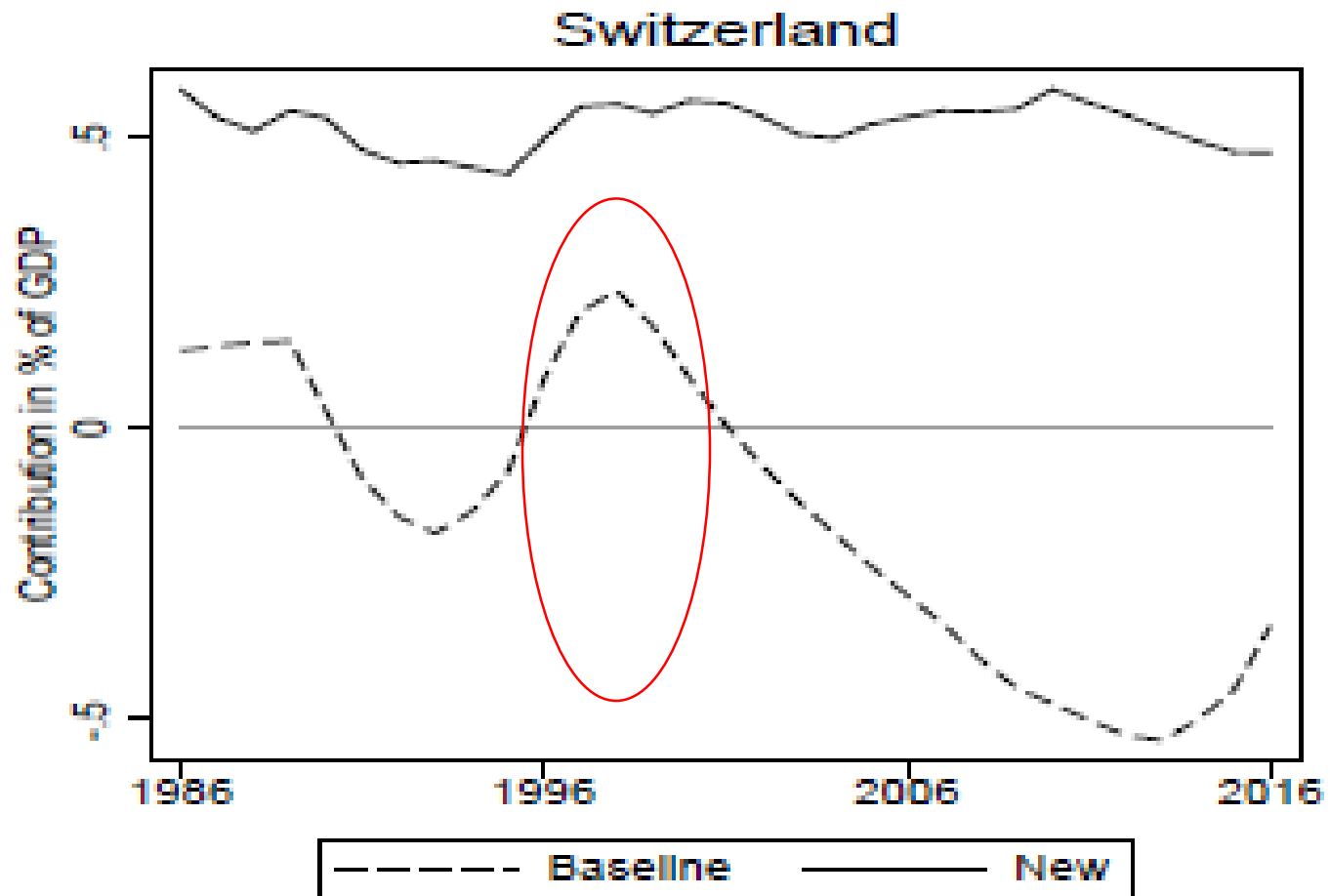
Switzerland: Pop. growth rate (percent)



United States: Pop. Growth Rate



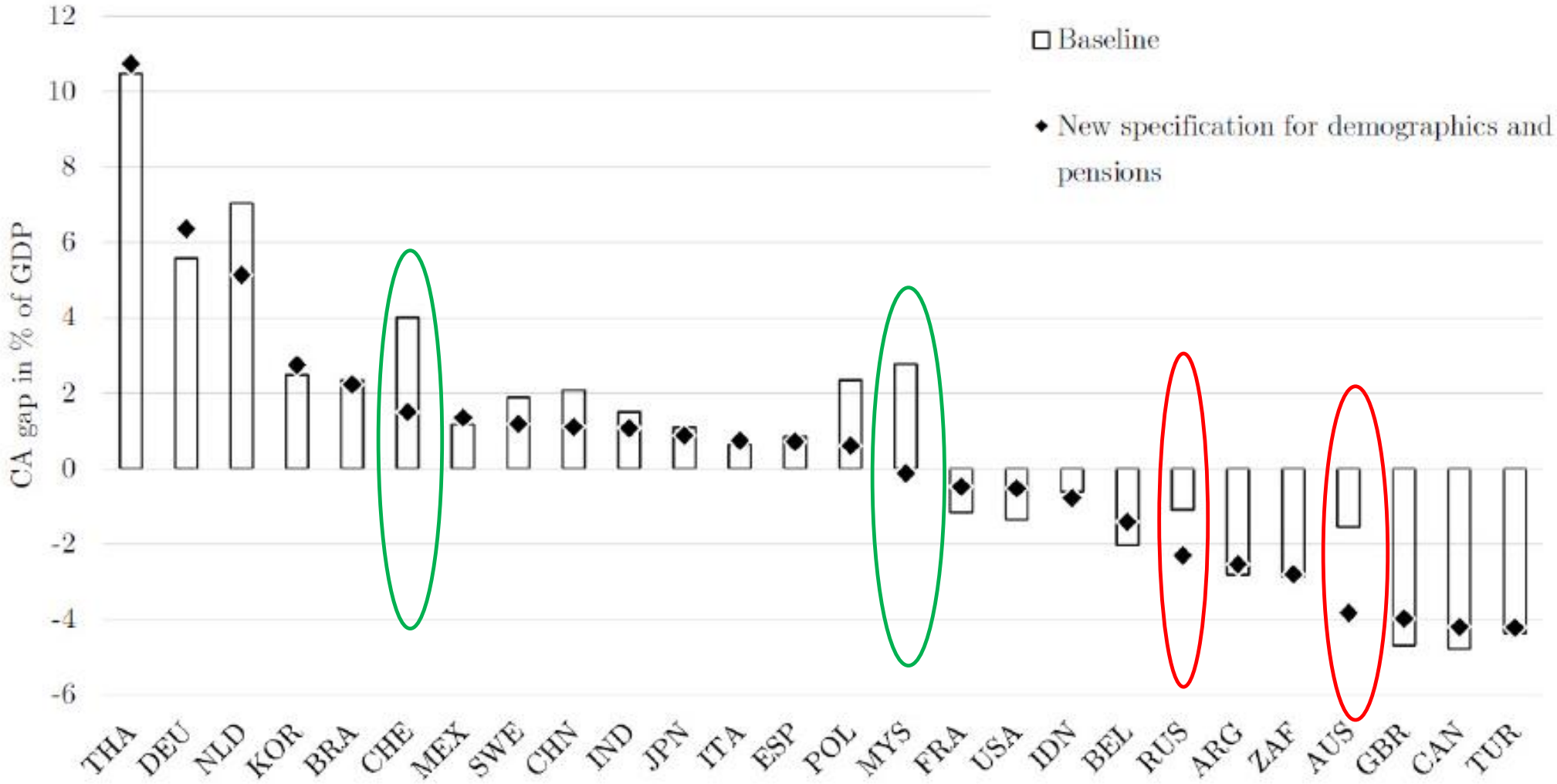
Accounting for potential behavioral responses



Other Issues

- Global adding-up of CAs
 - Malaysia, Switzerland
 - U.S., Russia, Australia
- Adjustment stage

Offsetting change to CA gaps



Conclusions

Feedback from stakeholders

Methodical approach:

- Structure of pensions
- Importance of demographics
- Significance of nonlinearities

Further discussion:

- Data. Replacement rates; administrative data in EMs;
- Global adding-up

Thank you